NEW ISSUE—Issued in Book–Entry Only Form **Ratings: Moody's "Aaa"; S&P "AAA" (FSA Insured)**
See "MISCELLANEOUS—Bond Ratings" and "CREDIT ENHANCEMENT" herein.

Subject to compliance by the Authority and the State with certain covenants, in the opinion of Bond Counsel, under present law, interest on the 1999A Bonds, is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah as presently enacted and construed, interest on the 1999A Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See "LEGAL MATTERS—Tax Exemption" herein for more complete discussion.

State of Utah, State Building Ownership Authority

$9,455,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 1999A

payable from annually renewable lease payments to be made by the

State of Utah

pursuant to a State Facilities Master Lease Agreement, as amended and supplemented (the "Lease")

The 1999A Bonds are issued by the State of Utah, State Building Ownership Authority (the "Authority"), a body corporate and politic of the State of Utah (the "State"), are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 1999A Bonds. Principal of and interest on the 1999A Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2000) are payable by First Security Bank, National Association, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof. See "THE 1999A BONDS—Book–Entry Only System" herein.

The 1999A Bonds are subject to optional redemption, mandatory sinking fund redemption, and extraordinary optional redemption (in the event of damage to, or destruction or condemnation of the 1999A Facilities) prior to maturity. See "THE FACILITIES—The 1999A Facilities" and "THE 1999A BONDS—Redemption Provisions For The 1999A Bonds" herein.

The 1999A Bonds are being issued to finance a portion of the cost of the acquisition of real estate, and the acquisition, construction and equipping of certain building facilities, and paying the costs associated with the issuance of the 1999A Bonds. The 1999A Bonds and certain Prior Parity Bonds previously issued by the Authority will be equally and ratably secured under the Indenture and the Mortgages on certain of the Facilities.

Under the Lease, the State has agreed to pay Base Rentals, as defined herein, which are sufficient to pay the principal of and interest on the 1999A Bonds and the Prior Parity Bonds, coming due in each year, but only if and to the extent that the State Legislature annually appropriates funds sufficient to pay such Base Rentals plus such Additional Rentals as are necessary to operate and maintain the Facilities during each Renewal Term. The Lease specifically provides that nothing therein shall be construed to require the State to appropriate moneys to pay the Base Rentals or Additional Rentals (collectively, the "Rentals") under the Lease, and the State is not obligated to pay such Rentals except to the extent appropriated. Neither the obligation of the State to pay such Rentals nor the obligation of the Authority to pay the 1999A Bonds will constitute or give rise to a debt, general obligation or liability of, or a charge against the general credit or taxing power of, the State or any of its political subdivisions. The issuance of the 1999A Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power.

The purchase of the 1999A Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. See "INTRODUCTION—Bondowners' Risks" herein.

The scheduled payment of principal of and interest on the 1999A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 1999A Bonds by FINANCIAL SECURITY ASSURANCE INC.

Dated: August 1, 1999 **Due:** May 15, as shown below

$5,120,000 Serial Bonds

Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield or Price	Due May 15	CUSIP 917547	Principal Amount	Interest Rate	Yield or Price
2001	LU 3	$ 55,000	5.25%	4.20%	2008..................	MB 4	$380,000	5.25%	4.90%
2002	LV 1	265,000	5.25	4.30	2009..................	MC 2	405,000	5.25	5.00
2003	LW 9	300,000	5.25	4.40	2010..................	MD 0	425,000	5.25	5.10
2004	LX 7	310,000	5.25	4.50	2011..................	ME 8	450,000	5.25	5.15
2005	LY 5	330,000	5.25	4.60	2012..................	MF 5	470,000	5.25	5.20
2006	LZ 2	345,000	5.25	4.70	2013..................	MG 3	495,000	5.25	100.00
2007	MA 6	365,000	5.25	4.80	2014..................	MH 1	525,000	5.30	100.00

$4,335,000 5.50% Term Bond due May 15, 2021—Price 100.00% (CUSIP 917547 MQ 1)

(Accrued interest from August 1, 1999 to be added, if any.)

The 1999A Bonds were awarded pursuant to electronic competitive bidding held via the Bloomberg Terminal service on Wednesday, August 4, 1999 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated July 1, 1999) to First Security Van Kasper, Salt Lake City, Utah, as Senior Manager; with Prudential Securities Inc., Los Angeles, California, as Co–Manager; at a "true interest rate" of 5.40%.

Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision. This OFFICIAL STATEMENT is dated August 5, 1999, and the information contained herein speaks only as of that date.

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APPENDIX A

BASIC DOCUMENTATION

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The following are definitions of certain terms from the Indenture and the Lease and summaries or extracts of certain provisions of the Indenture, the Lease and the State Facilities Master Agency Agreement. Reference is made to the Indenture, the Lease and the State Facilities Master Agency Agreement for complete recital of their terms. During the period of the offering of the 1999A Bonds, copies of the Indenture and the Lease may be obtained from the chief contact person of the State under "INTRODUCTION—Contact Persons" above. Subsequent to the offering of the 1999A Bonds copies of the Indenture, the Lease and the State Facilities Master Agency Agreement may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

"*Acquisition*" (and other forms of the word "acquire") shall have the same meaning as when such term is used in the Act, including Section 63–9a–3(6) thereof, as amended from time to time.

"*Act*" shall mean the State Building Ownership Act, Chapter 9a, Title 63 of the Utah Code.

"*Additional Bonds*" shall mean additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture.

"*Additional Facilities*" shall mean any "facility" within the meaning of the Act, to be acquired or constructed pursuant to the Act as provided in the Lease as supplemented and amended from time to time by a Supplemental Lease.

"*Additional Projects*" shall mean the undertaking by the Issuer, at the direction of the Lessee, of the acquisition or construction of any Additional Facilities, as authorized by the Act and pursuant to the Lease.

"*Additional Rentals*" shall mean the amount or amounts payable by the Lessee pursuant to the Lease for the items described herein under "THE LEASE—Rentals Payable–(b) Additional Rentals" below.

"*Agency Agreement*" shall mean (a) that certain State Facilities Master Agency Agreement, dated as of September 1, 1994, as supplemented and amended between the Lessor and the Division of Facilities Construction and Management of the Department of Administrative Services of the State of Utah, as agent, relating to the undertaking and completion of the Projects and (b) any agency agreement between the Lessor, as principal, and any governmental body or other entity selected by the Lessor for purposes of causing the undertaking and completion of any Additional Project or Additional Projects.

"*Appropriate Rating Agencies*" shall mean Moody's, if any of the 1999A Bonds are then rated by such rating agency, and S&P, if any of the 1999A Bonds are then rated by such rating agency.

"*Authorized Lessee Representative*" shall mean the person or persons at the time designated, by written certificate furnished to the Lessor and the Trustee, as the person or persons authorized to act on behalf of the Lessee.

"*Authorized Lessor Representative*" shall mean the person or persons at the time designated, by written certificate furnished to the Lessee and the Trustee, as the person or persons authorized to act on behalf of the Lessor.

"*Base Rental Payment Date*" shall mean the first day of each May and November during the term of the Lease, commencing on May 1, 1995, except that with respect to any Variable Rate Rentals, the Base Rental Payment Date shall mean each date on which such Variable Rate Rentals are due and payable as provided in the Supplemental Lease providing for such Variable Rate Rentals.

"*Base Rental Payment Schedule*" shall mean the Base Rental Payment Schedule attached to the Lease and the Attachments thereto relating to each of the Facilities, as such Schedule (including such Attachments) may be revised from time to time in accordance with the Indenture.

"*Base Rentals*" shall mean the amount or amounts (comprising a principal component and an interest component) payable by the Lessee pursuant to the Lease in consideration of the right to the use and enjoyment of the Leased Property during the term of the Lease, on the dates and in the amounts set forth in the Base Rental Payment Schedule and on the dates and in the amounts representing the interest component for Variable Rate Rentals calculated pursuant to the Supplemental Lease providing for such Variable Rate Rentals.

"*Bond*" or "*Bonds*" shall mean one or more of the 1999A Bonds and any Additional Bonds authenticated and delivered from time to time under the Indenture.

"*Bond Counsel*" shall mean an attorney at law or a firm of attorneys (which is mutually acceptable to the Lessee and the Trustee) of nationally recognized standing in matters pertaining to the tax–exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"*Bond Fund*" shall mean the fund by that name created by the Indenture to be used to pay the principal of and interest on the 1999A Bonds as provided in the Indenture.

"*Bond Interest Payment Dates*" shall mean May 15 and November 15 of each year so long as any of the 1999A Bonds are Outstanding, or with respect to Variable Rate Bonds, such dates as shall be specified for the payment of interest on such Bonds in the Supplemental Indenture authorizing such Variable Rate Bonds.

"*Bond Payment Date*" shall mean a Bond Interest Payment Date and/or a Bond Principal Payment Date.

"An "*Owner" of the 1999A Bonds*", or any similar term, shall mean the successful bidders for the 1999A Bonds who purchase them from the State, and thereafter those persons who purchases the 1999A Bonds from the successful bidders and/or those persons who thereafter purchase 1999A Bonds in the secondary market. Most of the rights of Owners, including the right to receive payments in relation to the 1999A Bonds, will belong to DTC so long as DTC is the sole registered owner of the 1999A Bonds. Owners nevertheless have certain rights as owners of their 1999A Bonds. Notices and payments in relation to the 1999A Bonds will be sent to the registered owner(s) of the 1999A Bonds as shown on the State's bond register for the 1999A Bonds.

"*Business Day*" shall mean a day of the year on which banks located in the city in which the principal corporate trust office of the Trustee is located are not required or authorized to remain closed.

"*Capitalized Interest Accounts*" shall mean, collectively, each Capitalized Interest Account created under the Indenture with respect to the financing of Facilities through the issuance of a Series of Bonds.

"*Capitalized Interest Fund*" shall mean the fund by that name created by the Indenture to be used to pay interest on the 1999A Bonds during the period of Acquisition and Construction of a Project as provided in the Indenture.

"*Cede*" shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to any Series of Bonds pursuant to the Indenture.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

"*Completion Certificate*" shall mean the certificate (including attachments thereto) delivered with respect to each Project by or at the direction of an Authorized Lessee Representative pursuant to the Lease and the Indenture, evidencing completion of such Project, the establishment of the Completion Date therefor, acceptance of the portion of the Leased Property represented by such Project by the Lessee and certain other matters.

"*Completion Date*" shall mean, with respect to each Project, the date of completion of such Project and of final acceptance of the portion of the Leased Property represented by such Project by the Lessee, all as evidenced by the delivery of the Completion Certificate relating thereto.

"*Construction*" (and other forms of the word "construct") shall have the same meaning as when such term is used in the Act, including Section 63–9a–3(6) thereof, as amended from time to time.

"*Contractor*" shall mean such reputable contractor or contractors designated as general contractor for any or all of the Facilities.

"*Continuing Disclosure Agreement*" shall mean that certain Continuing Disclosure Undertaking Agreement among the Issuer, the Lessee and the Trustee, dated the date of original issuance of the Series 1999A Bonds, as originally executed and as it may be amended from time to time in accordance with its terms.

"*Costs of Issuance*" shall mean all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Lessee relating to the financing of the Projects under the Indenture, including, but not limited to, all costs paid or incurred by the Lessee or the Issuer at any time prior to or after delivery of the 1999A Bonds of each Series with respect to the issuance, sale and delivery of the 1999A Bonds of such Series, including, but not limited to, initial or acceptance fees and expenses of the Trustee, the Paying Agent and the Registrar, advance annual Trustee fee for a period not exceeding one year, costs of legal and other professional services, including, but not limited to, financial advisor fees and expenses, costs of underwriting the 1999A Bonds of each Series (including underwriting fees or bond discount), costs of preparing the Operative Agreements relating to the Project financed by each Series of Bonds and any supplements to any thereof and any other documents in connection with the authorization, issuance and sale of the 1999A Bonds of each Series, rating agency fees and expenses, recording and filing fees, costs of title insurance, printing and engraving and other fees and costs in connection therewith.

"*Event of Default*" shall mean one or more of the events of default described in the Lease and the Indenture.

"*Event of Nonappropriation*" shall mean a nonrenewal of the term of the Lease by the Lessee, determined by the failure (for whatever reason) of the State to enact into law a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient to pay the Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as provided in the Lease or determined by the unavailability of such moneys for such purpose for any other reason. To the extent any non–lapsing appropriations are used as the basis for determining that sufficient moneys have been appropriated for a Fiscal Year, such appropriations shall be deemed to have been appropriated and to be legally available for the purpose of paying Rentals during such Fiscal Year. The existence or nonexistence of an Event of Nonappropriation shall be determined as of (a) the date on which the Legislature fails or refuses to adopt a final budget in accordance with applicable law which appropriates sufficient moneys to pay such Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as contemplated by the Lease or (b) the date on which the Governor of the State vetoes the appropriation to pay such Rentals contained in a final budget adopted by the Legislature, which veto is not thereafter overridden as provided by law; *provided, however,* that the Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the 1999A Bonds, except as otherwise provided in the Lease; and *provided, further, however,* that in no event shall an Event of Nonappropriation occur or be deemed to occur prior to June 1 of the Fiscal Year next preceding each Renewal Term, notwithstanding anything in the Lease to the contrary. If the State changes its Fiscal Year to a different twelve–month period than the Fiscal Year in effect on the date of execution of the Lease, the foregoing reference to June 1 shall be deemed to refer to the date that is 30 days prior to the end of such new Fiscal Year.

"*Excepted Property*" shall mean the following described property of the Issuer that is expressly excepted and excluded from the lien and operation of the Indenture, whether such property is now owned on hereafter acquired:

(a) The last day of the term of the leasehold estate created under the Lease and the last day of the term of each Site Lease; *provided, however*, that the Issuer covenants and agrees that it will hold each such last day in trust for the use and benefit of the Owners of the 1999A Bonds and that it will dispose of each such last day from time to time in accordance with such written order as the Trustee in its discretion may give;

(b) Certain property installed by the Lessee or by any sublessee or licensee of the Lessee as provided in the Lease; and

(c) Amounts to be transferred pursuant to the Indenture to, or held by the Trustee in, the Rebate Fund established under any Tax Certificate.

"*Facilities*" shall mean each of the facilities acquired or constructed pursuant to the Act as provided in the Lease.

"*Fiscal Year*" shall mean the twelve–month period used from time to time by the Lessee for its financial accounting purposes, such period currently extending from July 1 to the next succeeding June 30.

"*Funds*" shall mean, collectively, all of the funds and accounts created under the Indenture and held by the Trustee, including, but not limited to, the Project Fund, the Project Accounts, the Bond Fund, the 1994A Costs of Issuance Fund, the Capitalized Interest Fund, the Capitalized Interest Accounts, the Redemption Fund, the Insurance Fund and any costs of issuance fund created under the Indenture in connection with the issuance of a Series of Bonds.

"*Government Obligations*" shall mean direct general obligations of, or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, the guarantee of which constitutes the full faith and credit obligation of the United States of America (including any such obligations issued or held in book–entry form on the books of the Department of the Treasury of the United States of America).

"*Indenture*" shall mean the Original Indenture as supplemented and amended from time to time in accordance with its terms.

"*Insurance Fund*" shall mean the fund by that name created by the Indenture for the deposit of all Net Proceeds of performance or payment bonds, proceeds (including moneys derived from the Risk Management Fund and any self–insurance program) from policies of insurance required by the Lease or condemnation awards, or any proceeds resulting from a default under a Project Contract (except certain liquidated damages received as a consequence of default by a Contractor to complete a Project in a timely fashion, which shall be deposited into the Bond Fund as required by the Lease) or any other contract relating to the Leased Property that are received by the Trustee, to be applied to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of the Leased Property, or to the redemption, in whole or in part, of the principal of the 1999A Bonds, under the terms and conditions specified in the Indenture.

"*Interests Secured by the Indenture*" shall mean the principal of and interest and premium, if any, on the 1999A Bonds and all additional amounts and other sums at any time due and owing from or required to be paid by or on behalf of the Issuer under the terms of the 1999A Bonds or the Indenture or by the Lessee pursuant to the terms of the Lease.

"*Investment Securities*" shall mean any of the investments in which the moneys and other assets of the State may be invested as permitted from time to time by the State Money Management Act, Chapter 7, Title 51 of the Utah Code, and such other investments as may be identified from time to time in a Supplemental Indenture as "Investment Securities."

"*Issuer*" shall mean the Utah State Building Ownership Authority, a body politic and corporate of the State of Utah, and any public body or corporation that succeeds to its powers, duties or functions.

"*Lease*" shall mean the Original Lease as amended and supplemented in accordance with its terms and the terms of the Indenture.

"*Leased Property*" shall mean the Facilities leased and to be leased to the Lessee pursuant to the Lease.

"*Lessee*" shall mean the State of Utah, acting through its Department of Administrative Services, Division of Facilities Construction and Management, and any department, division, commission or agency of the State succeeding to such Division's powers, duties or functions.

"*Lessee's Counsel*" shall mean the duly elected and qualified Attorney General of the State of Utah or his or her designee, who regularly or by special appointment represents the Lessee in legal matters.

"*Lessor*" shall mean the Utah State Building Ownership Authority, a body politic and corporate of the State of Utah, or any successor to the powers, duties or functions of the Lessor.

"*Lien*" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on common law, statute or contract, and including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes.

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, Moody's shall be deemed to refer to any other nationally recognized securities rating organization designated by the Lessee, by notice to the Trustee.

"*Mortgage*" shall mean each Mortgage, Security Agreement and Assignment of Rents, substantially in the form attached to the Indenture, to be executed, delivered and recorded as provided in the Indenture and in the Lease and any other "mortgage" (as such term is defined in Section 63–9a–3(5) of the Act as such Section may be amended from time to time), relating to a mortgage lien to be imposed on the respective Facilities on or before the disbursement of moneys from each Project Account as provided in the Indenture, for the purpose of providing security, in addition to that provided by the Indenture, for the payment of the principal of, and premium, if any, and interest on, the 1999A Bonds and the other Interests Secured by the Indenture.

"*Net Proceeds*" when used with respect to any performance or payment bond proceeds, or proceeds (including, but not limited to, any moneys derived from the Risk Management Fund or any self–insurance program) from policies of insurance required by the Lease, or any condemnation award, or any proceeds resulting from default under a Project Contract (including, but not limited to, any such proceeds realized as liquidated damages) with respect to the Leased Property, or with respect to proceeds from any foreclosure on the Leased Property or liquidation, reletting or sale of the Leased Property (subject to the Site Leases), shall mean the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof.

"*Notice by Mail*" or "*notice*" of any action or condition "*by Mail*" shall mean a written notice meeting the requirements of the Indenture mailed by first–class mail, postage prepaid, to the Owners of specified Bonds, at the addresses shown in the Register.

"*Officer's Certificate*" when used with respect to the Lessee shall mean a certificate signed by an Authorized Lessee Representative, or when used with respect to the Issuer or the Lessor, an Authorized Lessor Representative, and delivered to the Trustee.

"*Option Price*" shall mean the price as specified in the Option Price Schedule at which (together with certain other amounts payable pursuant to the Lease) the Lessee may elect to purchase from the Lessor the Leased Property (other than State–Owned Sites) in its entirety on the applicable Optional Payment Date or any portion thereof consisting of separate Facilities identified on Subschedules to the Option Price Schedule and designated by the Lessee pursuant to the Lease prior to the scheduled payment of all sums to be paid for the Leased Property or any such portion, all as more particularly shown in the Option Price Schedule (or the applicable Subschedule thereto) and as such Option Price Schedule (including the Attachments thereto) may be revised hereafter in accordance with the Indenture.

"*Option Price Schedule*" shall mean the Option Price Schedule attached to the Lease, as such Schedule may be revised hereafter from time to time in accordance with the Indenture.

"*Optional Payment Date*" shall mean any Business Day on or after November 15, 2004 (except as otherwise provided in the Lease) during the term of the Lease upon which the Lessee may elect pursuant to the Lease to purchase the Leased Property (other than State–Owned Sites) or any portion thereof consisting of separate Facilities identified on Subschedules to the Option Price Schedule for the then applicable Option Price or portion thereof with respect to such separately identified Facilities.

"*Optional Redemption Date*" shall mean the Optional Payment Date or other redemption date on which the Issuer redeems Bonds in whole or in part as provided in the Indenture.

"*Original Indenture*" shall mean the Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, between the Issuer and the Trustee.

"*Original Lease*" shall mean the State Facilities Master Lease Agreement, dated as of September 1, 1994, between the Lessee and the Issuer.

"*Outstanding*" when used with respect to Bonds shall mean, as of the date of determination, all Bonds that have theretofore been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore canceled and delivered to the Registrar or delivered to the Registrar for cancellation;

(b) Bonds that have been defeased pursuant to the Indenture; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

"*Permitted Encumbrances*" shall mean, as of any particular time, (a) liens for taxes, assessments and other governmental charges not then delinquent; (b) the Lease, the Indenture, any Mortgage, any sublease permitted by the Lease and any financing statements naming the Issuer or the Lessee as debtor and naming the Issuer or the Trustee as secured party now or hereafter filed to perfect the mortgage lien and security interests granted or to be granted by the Indenture, any Mortgage and the Lease; (c) the Site Leases; (d) utility, access and other easements and rights–of–way, mineral rights, restrictions and exceptions that an Authorized Lessee Representative certifies to the Trustee will not materially interfere with or impair the operations being conducted in or on the Leased Property (or, if no operations are being conducted therein or thereon, the operations for which the Leased Property was designed or last modified); (e) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right in respect thereof if payment is not yet due and payable under the contract in question; (f) such minor defects, irregularities, encumbrances, easements, rights–of–way and clouds on title as normally exist with respect to properties similar in character to the Leased Property and (i) as do not, in the opinion of the Authorized Lessee Representative, certified in writing to the Trustee, materially impair the property affected thereby for the purpose for which it was or is to be Acquired or is or will be held by the Issuer or the Lessee or (ii) are adequately insured against by a title insurance policy reasonably satisfactory to the Trustee and the Lessee; (g) any liens or encumbrances being contested as provided in the Lease; (h) any encumbrance represented by financing statements recorded or filed to perfect purchase money security interests in any or all of the Facilities; and (i) any easements, liens, security interests and other encumbrances as are included in the definition of "Permitted Encumbrances" as provided in a Supplemental Lease.

"*Person*" shall mean one or more individuals, estates, joint ventures, joint–stock companies, partnerships, associations, corporations, trusts or unincorporated organizations, and one or more governments or agencies or political subdivisions thereof.

"*Plans and Specifications*" shall mean plans and specifications prepared for and showing each of the Facilities, as and when they are approved by the Lessee, the same being duly certified by an Authorized Lessee Representative, which plans and specifications are or will be on file at the office of the Lessee described in the first paragraph of the Lease and shall be available for reasonable inspection by the Lessor, the Trustee and their duly authorized representatives.

"*Project Accounts*" shall mean, collectively, each Project Account created under the Indenture with respect to the financing of Facilities through the issuance of a Series of Bonds.

"*Project Contracts*" shall mean, collectively, each contract entered into by the Lessee (acting in its capacity as the Lessor's agent pursuant to the Agency Agreement), any other agent acting on behalf of the Lessor pursuant to an Agency Agreement or the Lessor regarding any Project.

"*Project Costs*" with respect to each Project shall mean those items that the Lessee, in its own capacity or in its capacity as agent to the Issuer pursuant to the Agency Agreement, any other agent or the Issuer has paid or shall be required to pay under the terms of any contract or contracts for such Project and the financing thereof and all expenses preliminary and incidental thereto incurred by the Issuer, the Lessee (as such agent) or such other agent in connection therewith and in the issuance of the 1999A Bonds, including, but not limited to, the following:

(a) obligations of the Lessee or the Issuer incurred for labor, materials and equipment (including permitted reimbursements from proceeds of Bonds payable to the Lessee for expenditures made with respect to the Facilities) in connection with such Project;

(b) the cost of performance or other bonds and any and all types of insurance (including, but not limited to, title insurance) that may be necessary or appropriate in connection with each Project and the Leased Property;

(c) all costs of planning and designing each of the Facilities, including architectural, planning, engineering, legal and fiscal advisors' fees and the costs incurred by the Lessee or the Issuer for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising Construction, as well as for the performance of all other duties required by or consequent to the proper and timely completion of each Project;

(d) all Costs of Issuance related to the Series of Bonds issued with respect to such Project;

(e) payment of expenses incurred in seeking to enforce any remedy against any Contractor or subcontractor in respect of any default under a Project Contract;

(f) the cost of equipment and furnishings for each of the Facilities and all other authorized costs that are considered to be a part of the costs of each of the Facilities in accordance with generally accepted accounting principles and that will not adversely affect the excludability from gross income for Federal income tax purposes of interest on the 1999A Bonds, including, but not limited to, interest accruing on the 1999A Bonds from the date of original issuance thereof and during the period required to complete each Project and for not more 12 months after the respective Completion Date of each such Project;

(g) temporary rent and other similar temporary relocation expenses (including the cost of mobile office trailer space) to be paid for the benefit of any State Body that has been dispossessed from its facilities for a period of time pending completion of the Facilities in which such State Body will be located upon completion thereof;

(h) any other costs and expenses identified in a Supplemental Indenture as "Project Costs" so long as such costs and expenses are authorized under the Act;

(i) land acquisition costs related to a Project to the extent permitted by the Act;

(j) any sums required to reimburse the Issuer or the Lessee for advances made by either of them for any of the above items or for any other costs incurred and for work done by either of them that are properly chargeable to a capital account in respect of a Project, including sums required to reimburse the Issuer or the Lessee for advances for costs incurred pursuant to clause (k) below; and

(k) all other amounts that shall be required to be paid under the terms of any Project Contract so long as such amounts are authorized under the Act.

"*Project Documents*" shall mean (a) the Plans and Specifications, including change orders (if any) as permitted by the Lease; (b) a survey of each site on which any of the Facilities are located, prepared by a registered land surveyor in accordance with standard requirements for land title surveys, showing the location of all improvements, easements, encroachments and other encumbrances on each such site; (c) any necessary permits for any of the Projects, including any building permits and certificates of occupancy; (d) the Project Contracts; (e) policies of title, casualty, public liability and workers' compensation insurance, or certificates thereof, as required by the Lease with respect to the Leased Property; (f) performance and payment bonds with respect to any Construction of any of the Facilities; (g) the executed contract with an architect hired by the Lessee in connection with the preparation of Plans and Specifications and (h) any and all other documents executed by or furnished to the Lessee or a Contractor in connection with any Project.

"*Project Fund*" shall mean the fund by that name created by the Indenture to be expended to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, in accordance with the provisions of the Lease and the Indenture.

"*Projects*" shall mean, collectively, all projects undertaken by the Issuer pursuant to the Lease.

"*Property*" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"*Redemption Fund*" shall mean the fund by that name created by the Indenture to be used for the redemption of Bonds (other than mandatory sinking fund redemptions).

"*Register*" shall mean the register kept at the principal corporate trust office of the Trustee, as Registrar, for the registration, exchange and transfer of Bonds.

"*Registrar*" shall mean the agent appointed by the Trustee, at the direction of the Issuer, as agent of the Trustee to keep the books for the registration of the 1999A Bonds and for the registration of transfer and exchange of the 1999A Bonds, and any successor appointed by the Trustee, at the direction of the Issuer, or in the event that at any time no such agent shall be appointed, the Trustee.

"*Regular Record Date*" shall mean, with respect to any Bond Interest Payment Date for Bonds that are not Variable Rate Bonds, the first day of the month in which such Bond Interest Payment Date occurs. For Variable Rate Bonds, "Regular Record Date" shall have the meaning given thereto in the Supplemental Indenture authorizing such Variable Rate Bonds.

"*Renewal Term*" shall mean each of the additional and consecutive one year renewal terms, commencing July 1, 1995, and a final renewal term commencing July 1, 2018, and ending May 16, 2019, for which the Lessee at its option may extend the term of the Lease after the Initial Term.

"*Rentals*" shall mean the total amount of the Base Rentals and the Additional Rentals payable during the Initial Term and each Renewal Term under the Lease.

"*Revenues*" shall mean (a) the Option Price, if paid, and any portion of the Option Price (if paid) with respect to separate Facilities; (b) all Net Proceeds, if any, of casualty insurance (including any moneys derived from the Risk Management Fund or any self–insurance program), title insurance, performance bonds, condemnation awards and awards resulting from defaults under Project Contracts (including amounts realized as liquidated damages) in connection with the Projects, not applied to the repair, restoration, modification, improvement or replacement of the Leased Property; (c) all Net Proceeds, if any, derived from any sale of the Leased Property pursuant to a foreclosure pursuant to the Indenture or any of the Mortgages and reletting or sale of the Leased Property thereafter pursuant to the Indenture or any of the Mortgages or any other proceeds realized upon the exercise of any other remedies under the Indenture or under any of the Mortgages; (d) the Base Rentals; (e) any portion of the proceeds of sale of the 1999A Bonds deposited into the Bond Fund or the Capitalized Interest Fund to pay accrued interest or capitalized interest on Bonds; (f) any earnings on moneys on deposit in the Bond Fund and the Capitalized Interest Fund to the extent such earnings are available as provided in the Indenture for application for the purposes for which such Funds have been or will be established under the Indenture; (g) all other revenues derived from the Lease, except Additional Rentals; and (h) any other moneys to which the Trustee may be entitled for the benefit of the Owners of the 1999A Bonds, including, but not limited to, any amounts to be paid into the Bond Fund pursuant to the Lease from rentals or other payments by permitted sublessees, assignees and transferees.

"*Risk Management Fund*" shall mean the Risk Management Fund of the State of Utah, established pursuant to Section 63A–4–201 of the Utah Code.

"*S&P*" shall mean Standard & Poor's Ratings Group, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, S&P shall be deemed to refer to any other nationally recognized securities rating organization designated by the Lessee, by notice to the Trustee.

"*Series*" shall mean all of the 1999A Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

"*Site Leases*" shall mean any lease pursuant to which the State leases a State–Owned Site to the Issuer for the purpose of a Project.

"*Special Record Date*" shall mean a special date fixed to determine the names and addresses of Owners of Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as provided in the Indenture.

"*State*" shall mean the State of Utah.

"*State/SLOC Sublease*" shall mean that certain Sublease Agreement, dated as of July 1, 1998, between the State and SLOC, pursuant to which the State subleases to SLOC the U of U 1998B Facilities for the Olympic Winter Games Period.

"*State Bodies*" shall mean DABC, DEQ, DHS, DNR, DPR, SOE, UDOC and any other "state bodies" as such term is defined in the Act, including Section 63–9a–3(3) thereof, as amended from time to time.

"*State–Owned Land*" shall mean any parcel of land on which Facilities are to be Acquired or Constructed that is owned by the State, was not acquired by the State with the proceeds of any Bonds issued pursuant to the Indenture and is leased to the Issuer for the purpose of a Project.

"*State–Owned Site*" shall mean "State–Owned Land."

"*Supplemental Indenture*" shall mean any supplement or amendment to the Indenture that has been duly entered into between the Issuer and the Trustee, but only if and to the extent that such Supplemental Indenture is entered into in accordance with the provisions of the Indenture.

"*Supplemental Lease*" shall mean any supplement or amendment to the Lease that has been duly entered into by the Lessor and the Lessee, but only if and to the extent that such Supplemental Lease is entered into in accordance with the provisions of the Lease and the Indenture.

"*Tax Certificate*" shall mean, with respect to each Series of Bonds, any agreement or certificate of the Issuer and the Lessee that the Issuer and the Lessee may execute in order to establish and assure the excludability from gross income for Federal income tax purposes of interest on the 1999A Bonds.

"*Term of the Lease*" or "*term of the Lease*" with respect to the possessory interest of the Lessee shall mean the Initial Term and any Renewal Terms as to which the Lessee exercises its option to renew the term of the Lease as provided in the Lease, subject to the provisions hereof concerning termination of certain of the Lessee's obligations under the Lease.

"*Trust Estate*" shall mean the properties, rights, interests and privileges (a) described in the Granting Clauses of the Indenture and to be described in the Granting Clauses of each Supplemental Indenture or (b) subject to the lien of a Mortgage.

"*Trustee*" shall mean First Security Bank, National Association, of Salt Lake City, Utah, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

"*Utah Code*" shall mean the Utah Code Annotated 1953, as amended.

"*Variable Rate Bonds*" shall mean, as of any date of calculation, any Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated for a period or at a rate that is not susceptible of precise determination for any future period of time; *provided, however,* that the term "Variable Rate Bonds" shall not apply to any period after the method for calculating interest on the 1999A Bonds has been converted to a fixed rate to maturity as provided in the applicable Supplemental Indenture.

"*Variable Rate Rentals*" shall mean the interest component of Base Rentals that is to be calculated for a period of time or at a rate that, as of any date of calculation, is not susceptible of precise determination for any future period of time; *provided, however*, that the term "Variable Rate Rentals" shall not apply to any period after the method for calculating the interest component of Base Rentals has been converted to a fixed rate to maturity as provided in the applicable Supplemental Lease.

THE INDENTURE

The 1999A Bonds

Limited Obligations

Under the Indenture the 1999A Bonds are secured by the Trust Estate, which is specifically mortgaged, pledged, hypothecated, assigned and otherwise secured by the Indenture, subject to Permitted Encumbrances, for the equal and ratable payment of the 1999A Bonds and shall be used for no other purpose than to pay the principal of, and premium, if any, and interest on, the 1999A Bonds, except as may be otherwise expressly authorized in the Indenture. Neither the full faith and credit nor the taxing powers of the State or any political subdivision of the State is pledged to the payment of the principal of, or premium, if any, or interest on, the 1999A Bonds or other costs appertaining thereto. The 1999A Bonds and the interest and premium, if any, thereon shall not now nor shall ever constitute an indebtedness of the Issuer, the State (as Lessee or otherwise) or any political subdivision of the State within the meaning of any constitutional provision or limitation nor constitute or give rise to or be a general obligation or liability of, or a charge against the general credit or taxing powers of, the State or any political subdivision of the State.

The obligation of the Lessee to pay Base Rentals and other amounts under the Lease is annually renewable as provided therein. Neither the issuance of the 1999A Bonds nor the execution and delivery of the Lease directly or contingently obligate the State (as Lessee or otherwise) or any political subdivision thereof to appropriate any money to pay Rentals under the Lease or to pay any Rentals beyond those appropriated for the then current Fiscal Year of the State. Neither the Lessee's officers and agents, nor officers, trustees or agents of the Issuer, nor any persons executing the 1999A Bonds or the Lease shall be liable personally on the 1999A Bonds or the Lease or subject to any personal liability or accountability by reason of the issuance of the 1999A Bonds or the execution of the Lease.

The Lease provides that if the Lessee fails to pay Rentals, it must immediately quit and vacate the Leased Property and its obligation to pay any Rentals (except for Rentals theretofore appropriated and then available for such purpose) shall thereupon terminate. No judgment for money damages may be entered against the State (as Lessee or otherwise) nor against any political subdivision thereof for failure to pay such Rentals or any other amounts, except for Rentals theretofore appropriated and then available for such purpose, other moneys and property subject to the lien of the Indenture or the Mortgages or as otherwise expressly provided in the Lease. No deficiency judgment may be entered against the Issuer, the State (as Lessee or otherwise) or any political subdivision of the State on foreclosure of any lien created by the Indenture or the Mortgages or on sale of the Leased Property (subject to the Site Leases) pursuant to a foreclosure or liquidation pursuant to the Indenture or the Mortgages or reletting or sale of the Leased Property thereafter pursuant to the Lease, except as otherwise expressly provided in the Lease. Neither the State (as Lessee or otherwise) nor any political subdivision thereof, other than to the extent provided in the Lease, is obligated to pay the principal of, or premium, if any, or interest on, any Bond, the Option Price, any portion of the Option Price related to the purchase of separate Facilities or other amounts that may come due in connection with or related to any Variable Rate Bond.

Nothing in the Lease or in the Indenture creates any obligation of the Lessee to purchase the Leased Property or any separate Facilities constituting a portion thereof or creates any obligation of the Lessee in respect to any creditors, shareholders or security holders of the Issuer (including, but not limited to, the Owners from time to time of the 1999A Bonds).

Additional Bonds

At any time while there is no Event of Default under the Indenture or the Lease and so long as no Event of Nonappropriation has occurred and is then continuing, Additional Bonds may be issued pursuant to a Supplemental Indenture for the purposes specified in the Indenture. All Additional Bonds shall be secured by the lien of the Indenture and the Mortgages and rank *pari passu* with the 1999A Bonds then Outstanding.

Prior to the delivery on original issuance by the Trustee of each Series of such Additional Bonds, there shall be or have been delivered to the Trustee, among other items required by the Indenture, the following:

(i) a written opinion of Bond Counsel to the effect that the issuance of such Series of Additional Bonds will not adversely affect the excludability from gross income for Federal income tax purposes of interest on any Bonds then Outstanding;

(ii) a date–down endorsement to each ALTA mortgagee title insurance policy and, if required by the Lessee, to the ALTA leasehold title insurance policy issued as provided in the Indenture or a new ALTA mortgagee title insurance policy with comprehensive endorsement, which endorsement or new policy shall, among other things, insure to the date of issuance of such Series of Additional Bonds and the recording of the Mortgage relating to such Additional Bonds the continuing validity of the lien thereof, as a first and prior lien on the premises thereby secured, subject only to Permitted Encumbrances, and which endorsement shall establish the amount of title insurance coverage thereunder as an amount equal to the principal amount of the Additional Bonds plus the principal amount of Bonds (other than such Series of Additional Bonds) outstanding as of the date of issuance of such endorsement; and

(iii) written evidence from each of the Appropriate Rating Agencies to the effect that the issuance of the Series of Additional Bonds will not by itself result in a reduction of withdrawal of the rating or ratings then in effect with respect to the Outstanding Bonds.

General Covenants

Rental Rates

The Issuer covenants to charge Base Rentals and Additional Rentals under the Lease sufficient in amount for such purposes and to pay any other obligations under the Lease that are to be paid from Base Rentals or Additional Rentals.

Payment of Bonds

The Issuer covenants in the Indenture to pay promptly the principal of (whether at maturity, by operation of mandatory sinking fund redemptions, by acceleration, call for redemption or otherwise), and premium, if any, and interest on, the 1999A Bonds at the places, on the dates and in the manner provided in the Indenture and in every Bond issued under the Indenture according to the true intent and meaning thereof; *provided, however,* that such obligations are not general obligations of the Issuer but are limited obligations payable solely from the Revenues.

Performance of Issuer's Covenants; Authority

The Issuer covenants in the Indenture to faithfully observe and perform at all times any and all covenants, conditions and agreements on its part contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Issuer pertaining thereto; *provided, however,* that the liability of the Issuer under any such covenant, condition or agreement for any breach or default by the Issuer thereof or thereunder shall be limited solely to the Revenues.

Payment of Taxes, Charges, Insurance, etc.

The Issuer covenants in the Indenture to cause the Lessee pursuant to the Lease to maintain certain insurance and pay all lawful taxes, assessments and charges at any time levied or assessed against or with respect to the Leased Property or the Revenues, or any part thereof, that might impair or prejudice the lien and priority of the Indenture or any of the Mortgages; *provided, however*, that nothing contained in the Indenture shall the maintenance of insurance or payment of any such taxes, assessments or charges if the same are not required to be maintained or paid under the provisions of the Lease.

Maintenance and Repair of and Alterations, Additions and Improvements to Leased Property

Pursuant to the provisions of the Lease, the Lessee has agreed at its own expense to maintain, manage and operate the Leased Property in good order, condition and repair, and the Lessee may, at its own expense, make from time to time additions, modifications or improvements to the Leased Property under the terms and conditions set forth in the Lease and as provided in the Indenture.

Recordation of the Lease, Indenture, Mortgages, Site Leases and Security Instruments

The Issuer covenants to cause the Indenture, each Mortgage, the Lease, each Site Lease and all supplements and amendments thereto as well as such other security instruments, financing statements, continuation statements and all supplements and amendments thereto and other instruments as may be required from time to time to be kept recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Owners of the 1999A Bonds and the rights of the Trustee under the Indenture and to perfect the lien of, and the security interest created by, the Indenture and each Mortgage.

Revenues And Funds

Source of Payment of Bonds

The Base Rentals that the Lessee is required to pay in accordance with the Lease are to be remitted directly to the Trustee for the account of the Issuer and deposited into the Bond Fund and the Redemption Fund as provided in the Lease. Such payments, sufficient in amount to insure the prompt payment of the principal of (including mandatory sinking fund redemptions) and premium, if any, and interest on, the 1999A Bonds (so long as the Lessee appropriates sufficient moneys annually to pay Rentals accruing during each succeeding Renewal Term under the Lease) are pledged to secure the payment of such principal of, and premium, if any, and interest on, the 1999A Bonds. Said pledge shall constitute a first and exclusive lien on the Base Rentals provided in the Lease for the payment of the principal of, and premium, if any, and interest on, the 1999A Bonds in accordance with the terms thereof and of the Indenture and otherwise for the benefit of the Interests Secured by the Indenture.

Funds and Accounts

The Indenture establishes the following irrevocable trust funds, among others, all of which are to be held by the Trustee:

(a) the Bond Fund which includes a Capitalized Interest Account;

(b) the Project Fund which includes separate accounts for each Project;

(c) the Redemption Fund;

(d) the Insurance Fund; and

(e) the Cost of Issuance Fund which includes a separate account for each Series of Bonds.

Payments into and Use of Moneys in Bond Fund and Capitalized Interest Fund

There shall be deposited into the Bond Fund, as and when received, the following:

(a) any amount in a Capitalized Interest Account to be paid into the Bond Fund in accordance with the Indenture;

(b) any amount in the Project Fund (including any Project Account therein) to be paid into the Bond Fund in accordance with the Indenture;

(c) all Base Rentals;

(d) any other amount to be deposited therein pursuant to any other provisions of the Indenture, or any provisions of a Supplemental Indenture; and

(e) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease or otherwise that are required or that are accompanied by directions that such moneys are to be paid into the Bond Fund.

Moneys in the Bond Fund are to be used for the payment of the principal of and interest on the 1999A Bonds, including mandatory sinking fund redemption payments.

Pursuant to the Indenture, there shall be deposited into each Capitalized Interest Account (i) the amount specified in the Indenture as capitalized interest on a Series of Bonds, (ii) earnings on investments of moneys in such Capitalized Interest Account, and (iii) all other that are required or directed to be paid into the Capitalized Interest Account. Under the Indenture, the Trustee transfers automatically on each Bond Interest Payment Date to the Bond Fund from each Capitalized Interest Account any moneys necessary to pay interest then coming due on the related Series of Bonds.

Payments into and Disbursements from Project Fund

The proceeds of a Series of Bonds deposited into a Project Account within the Project Fund are to be used to pay the Project Costs being financed by such Series of Bonds. So long as the Lessee's right (as agent of the Issuer under the Agency Agreement) to control the Projects has not otherwise been terminated pursuant to the Lease or the Agency Agreement, the Trustee is authorized and directed under the Indenture to make payments as requested by the Lessee from each Project Account to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, upon receipt of certain documents, certificates and opinions specified in the Indenture.

In the event that a Project is not completed timely, or an Event of Nonappropriation or Event of Default shall have occurred and be continuing, the Trustee shall take such actions with respect to moneys then remaining in the Project Account that relates to such incomplete Project and may either complete such Project or otherwise disburse such moneys pursuant to the provisions of the Lease and the Indenture as the Trustee may deem appropriate in the best interests of the Owners of the 1999A Bonds.

Completion of the Projects; Delivery of Completion Certificate

The completion of each Project under the Lease, the payment or provision made for payment of all Project Costs under the Lease related to each such Project and the acceptance of the portion of the Leased Property represented by such Project by the Lessee shall be evidenced by the filing with the Trustee of the Completion Certificate of an Authorized Lessee Representative stating that, to the best of the Lessee's knowledge based upon the representations of the engineers, vendors, suppliers, contractors, architects and other consultants for such Project and except for any amounts estimated by such Authorized Lessee Representative to be necessary for payment of any Project Costs not then due and payable, such Project has been completed and the portion of the Leased Property represented by such Project has been accepted by the Lessee. Immediately after the date of delivery of the Completion Certificate for a Project and unless otherwise provided in a Supplemental Indenture with respect to a Series of Additional Bonds, any moneys remaining in the related Project Account (except any amount that the Lessee shall have directed the Trustee to retain for any Project Costs not then due and payable and except as otherwise may be required by any Tax Certificate) shall without further authorization be transferred by the Trustee for deposit into the Bond Fund and applied by the Trustee for the purposes for which such Fund has been established under the Indenture.

The Indenture specifies a date by which each Project is to be completed as described above. If a Project is not completed on or prior to such date, the Trustee is authorized by the Indenture to use the moneys in the Project Account that relates to such Project as described above under the heading "Payments into and Disbursements from Project Fund" above.

Deposit Into and Use of Moneys in Redemption Fund

All moneys to be used for redemption of Bonds (other than mandatory sinking fund redemptions) shall be deposited into the Redemption Fund.

Use of Moneys in Insurance Fund

All Net Proceeds of performance or payment bonds, proceeds (including any moneys derived from the Risk Management Fund and any self–insurance program) from policies of insurance required by the Lease or condemnation awards, or any proceeds resulting from a default under a Project contract (except liquidated damages) or any other contract relating to the Leased Property that are received by the Trustee shall be deposited into the Insurance Fund. An Authorized Lessee Representative shall file an Officer's Certificate with Trustee, within 90 days after the occurrence of the event giving rise to such Net Proceeds, directing the application and disbursement of such funds, subject to any applicable provisions of any Tax Certificate, as follows:

(a) to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of the Leased Property if such Officer's Certificate states that such Net Proceeds, together with any other funds lawfully available to the Lessee for such purpose, are sufficient to pay in full the costs of such repair, replacement, restoration, modification or improvement; or

(b) to the redemption, in whole or in part, of the principal of the 1999A Bonds in accordance with the Lease.

Liquidated damages resulting from a default by a Contractor to complete a Project in a timely fashion under the Construction Contract are to be deposited into the Bond Fund.

Moneys To Be Held In Trust

All moneys required to be deposited with or paid to the Trustee for account to any Fund referred to in any provision of the Indenture shall be held by the Trustee in trust in accordance with the terms of the Indenture.

Permitted Investments

Subject to compliance with the terms and provisions of any Tax Certificate, any moneys held as part of the Project Fund, the Insurance Fund or any accounts therein shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), in any Investment Securities maturing not later than such times as shall be necessary to provide moneys when needed for payments to be made from each such Fund or other fund or account.

Moneys held as part of the Bond Fund, the Redemption Fund and the Capitalized Interest Fund, shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), only in Government Obligations maturing at such times and in such amounts as shall be necessary to pay principal of and interest on the 1999A Bonds as such become due and payable or, with respect to moneys held as part of the Bond Fund, invested in (i) a money market mutual fund that invests only in Government Obligations or (ii) the Utah State Treasurer's Investment Pool established pursuant to Chapter 7 of Title 51 of the Utah Code.

All such investments shall at all times be a part of the Fund from whence the moneys used to acquire such investments shall have come. In computing the amount in any fund or account hereunder, investments shall be valued at the market price thereof at least annually by the Trustee prior to May 1 of each year. All income and profits on such investments shall be credited to, and all losses thereon shall be charged against, such funds and accounts equal to each fund's or account's respective proportionate contribution thereto. Any such investments shall be made by the Trustee in such manner as to assure the availability of moneys to make disbursements from each Project Account on the anticipated dates of disbursement for the Project to which such Project Account relates and to make payments of the principal of, and premium, if any, and interest on, the 1999A Bonds at the times and in the amounts as provided therein.

Discharge Of Lien

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid or provision for the unconditional payment made from any source, to or for the Owners of the 1999A Bonds all principal of, and premium, if any, and interest on, the 1999A Bonds at the times and in the manner stipulated therein and in the Indenture, and if the Issuer shall not then be in default in any of the other covenants and promises in the 1999A Bonds and in the Indenture expressed or implied as to be kept, performed and observed by it or on its part, and if the Lessee shall not then be in default in any of its covenants and promises in the Lease expressed or implied as to be kept, performed and observed by it or on its part, and if the Issuer shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Indenture, then all rights and obligations of the Issuer, the Lessee and the Trustee under the Indenture, the Lease and the Site Leases shall terminate and be of no further force and effect and the Trustee shall cancel and discharge the Indenture, the Mortgages, the Lease and the Site Leases and execute and deliver to the Issuer and the Lessee such instruments in writing as shall be requisite to cancel and discharge the lien of the Indenture, and reconvey, release, assign and deliver unto the Issuer and the Lessee any and all the estate, right, title and interest in and to any property conveyed, mortgaged, assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture or the Mortgages, except (a) amounts in the Bond Fund required to be paid to the Lessee pursuant to the Indenture, (b) moneys or securities held by the Trustee for the payment of the principal of, or premium, if any, or interest on, the 1999A Bonds and (c) any moneys to be paid pursuant to any Tax Certificate.

Any Bond shall be deemed to be paid, or any portion thereof shall be deemed to be paid, within the meaning of the Indenture when payment of the principal of, and premium, if any, and interest on, the 1999A Bonds (or such portion thereof) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations (provided that such deposit does not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for Federal income tax purposes of interest on any of the 1999A Bonds or cause the

Lease or any of the 1999A Bonds to be classified as arbitrage bonds within the meaning of Section 148(a) of the Code), which are not callable at the option of the issuer thereof prior to their maturity and which mature and bear interest in such amounts and at such times as will provide such amounts and at such times as will insure the availability of sufficient moneys to make such payment on and prior to the redemption date or maturity date, as the case may be. If the 1999A Bonds are not to be paid on the next succeeding Bond Payment Date, proper notice of redemption shall have been previously mailed as provided in the Indenture or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail notice of redemption as provided in the Indenture. At such time as a Bond shall be deemed to be paid, it shall no longer be secured by or entitled to the benefits of the Indenture or the Mortgages, except for the purposes of registration and exchange of Bonds and of any such payment from such moneys or Government Obligations.

Possession, Use And Partial Release Of Leased Property

Subordination of Lease to the Indenture and the Mortgages

As provided in the Lease, the Lease and the Lessee's interest in the Leased Property and its interest as lessee under the Lease shall at all times be subject to the lien of the Indenture and the Mortgages; *provided*, *however*, that so long as no Event of Default under the Lease or an Event of Nonappropriation has occurred and is then continuing, the Lease shall remain in full force and effect notwithstanding such subordination and the Lessee shall not be disturbed by the Issuer or the Trustee in its possession, use and enjoyment of the Leased Property during the term of the Lease or in the enjoyment of its rights under the Lease.

Release of Sites

The Issuer and the Lessee have reserved the right in the Lease to withdraw certain portions of the sites on which any of the Facilities are located (including portions or all of the State Facilities Expansion Site) from the terms of the Lease and the lien of the Indenture. The Trustee shall release from the lien of the Indenture any such portions of the sites upon compliance with the provisions of the Lease. See "THE PROJECT—Release Of Portions Of Facilities" in the text of the OFFICIAL STATEMENT to which this APPENDIX A is attached.

Granting or Release of Easements

In accordance with the Lease, the Lessee may grant or release easements and take other action upon compliance with the terms and conditions of the Lease. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights–of–way and other rights and privileges permitted by the Lease.

Events Of Default And Remedies

Events of Default Defined

The occurrence of any of the following events shall constitute an "Event of Default" under the Indenture:

(a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity date thereof, by acceleration or call for redemption or otherwise; or

(b) Default in the payment of any interest on any Bond when the same shall become due and payable; or

(c) The occurrence of any Event of Nonappropriation or Event of Default as each such term is defined in the Lease or the occurrence of an event of default under any Mortgage; or

(d) Subject to the provisions of the Indenture, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the 1999A Bonds contained and the continuance thereof for a period of 60 days after written notice to the Issuer and the Lessee given by the Trustee or to the Trustee, the Issuer and the Lessee by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding.

Notice of Certain Defaults; Opportunity of Lessee to Cure Certain Defaults

Anything in the Indenture to the contrary notwithstanding, no default described in paragraph (d) under "Events of Default Defined" above will constitute an Event of Default until actual notice of such default by registered or certified mail has been given by the Trustee or by the Owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding to the Issuer and the Lessee, and the Lessee has had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and has not corrected said default or caused said default to be corrected, or if said default be such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

Remedies Upon Default

Upon the occurrence and continuance of any Event of Default, the Trustee shall have all the rights and remedies with respect to the Trust Estate as the Issuer, as lessor, has against the Leased Property and the Lessee under the pertinent provisions of the Lease and subject to the restrictions and limitations therein provided. Upon the occurrence and continuance of any Event of Default, the Trustee may, and at the written request of Owners of not less than 25% in aggregate principal amount of the 1999A Bonds then Outstanding shall, declare the principal amount of the 1999A Bonds then Outstanding to be immediately due and payable, whereupon such principal amount shall, without further action, become and be immediately due and payable, anything in the Indenture, any Mortgage or in the 1999A Bonds to the contrary notwithstanding; *provided, however,* that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease to pay Rentals only during the term of the Lease and in the amounts and at the times as provided in the Lease. The Trustee shall give notice of such declaration of acceleration to the Lessee and the Issuer and, upon receipt of indemnity satisfactory to it, shall give notice thereof by Mail to Owners of all Bonds then Outstanding.

Upon the occurrence and continuance of any Event of Default specified in paragraphs (a), (b), or (c) under the heading "Events of Default Defined" above, the Trustee shall, without any action on the part of the Owners of the 1999A Bonds, or upon the occurrence and continuance of an Event of Default specified in paragraph (d) under the heading "Events of Default Defined" above, and at the written request of Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding the Trustee shall, give notice to the Lessee to vacate the Leased Property immediately as provided in the Lease, with or without terminating the term of the Lease thereunder except as to the Lessee's possessory interests in the Leased Property under the Lease. The Trustee may, and at the written request of Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, commence an action to foreclose the lien of the Indenture as a mortgage in the manner herein provided and as permitted by law against the Trust Estate, commence an action or actions to foreclose any Mortgage or Mortgages in the manner therein provided and as permitted by law against the Issuer's right, title and interest in the Leased Property in such manner and order as the Trustee may determine, and take one or any combination of the following additional remedial steps:

(a) The Trustee may terminate the Lease or the Lessee's possessory rights thereunder (without otherwise terminating the Lease), re–enter the Leased Property and eject all parties in possession thereof therefrom and relet the Leased Property (subject to the Site Leases), all as provided in the Lease;

(b) The Trustee may, subject to compliance with the applicable provisions of the "one action rule" set forth in Chapter 37 of Title 78 of the Utah Code, recover from the Lessee:

(i) the portion of Base Rentals and Additional Rentals that are or would otherwise have been payable under the Lease during any period in which the Lessee continues to use, occupy and operate the Leased Property or any portion thereof; and

(ii) Base Rentals and Additional Rentals that are or would otherwise have been payable by the Lessee under the Lease during the remainder, after the Lessee vacates the Leased Property, of the Renewal Term in which such Event of Default occurs for which Term the Lessee had lawfully appropriated moneys for purposes of paying such Base Rentals and Additional Rentals; *provided, however,* that if the Trustee does not proceed to sell the Leased Property reasonably promptly after such Event of Default, the Trustee shall be obligated to the Lessee to use the Trustee's best efforts to lease or sublease the Leased Property for the remainder of such Renewal Term, and the Net Proceeds of such leasing and subleasing shall be offset against the amount recoverable from the Lessee as described under this subparagraph (ii);

(c) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Leased Property, or any part thereof, in its own name or in the name of the Issuer, and do any acts that the Trustee deems necessary or desirable to preserve the value, marketability or rentability of the Leased Property, or part thereof or interest or space therein, increase the income therefrom or protect the security thereof and, with or without taking possession of the Leased Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any obligations secured by the Indenture, all in such order as the Trustee may determine;

(d) In conformity with the Indenture, exercise all rights of the Issuer in its capacity as lessor under the Lease, including the right to lease all or any part of the Leased Property (subject to the Site Leases) in the name and for the account of the Issuer, to collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, any taxes and assessments and other charges prior to the lien of the Indenture that the Trustee may deem it wise to pay and all expenses and costs of repairs and improvements to the Leased Property and apply the remainder of the moneys so received in accordance with the Indenture;

(e) Exercise any or all of the remedies available to a secured party under the Utah Uniform Commercial Code, as then in effect, with respect to property subject to the Indenture or any Mortgage that is covered by such Code; and

(f) Exercise the option provided to the Trustee (as assignee of the Issuer, in its capacity as ground lessee under the Site Leases, pursuant to the Indenture) with respect to any Site Lease to purchase the Site that is the subject of such Site Lease.

A judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Default hereunder only as to the liabilities described in paragraph (b) above. Notwithstanding anything set forth in the Lease, the Mortgages or the Indenture to the contrary, any Event of Default consisting of a failure by the Lessee to vacate the Leased Property by the expiration of the Initial Term or the Renewal Term during which an Event of Nonappropriation occurs shall not result in any liability for Base Rentals or Additional Rentals allocable to any period other than the period in which the Lessee continues to use, occupy and operate the Leased Property or any portion thereof and to that extent only.

Other Remedies

Upon the occurrence of an Event of Default, the Trustee may, as an alternative, either after entry or without entry, pursue any available remedy by suit at law or equity to enforce the payment of the principal of, and premium, if any, and interest on, the 1999A Bonds then Outstanding, including, without limitation, foreclosure and mandamus and an action for specific performance of any agreement contained in the Indenture.

Upon the occurrence of an Event of Default, if requested to do so by the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided herein, the Trustee shall exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Owners; provided that the obligation of the Trustee to accelerate the principal of the 1999A Bonds shall be subject to the provisions set forth under the heading “Remedies Upon Default” above.

Remedies Not Exclusive

No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy in the Indenture, by any other agreement or by law provided or permitted, but each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. Every power or remedy given by the Indenture, any Mortgage, the Lease or any Site Lease, or to which the Trustee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee, and the Trustee may pursue inconsistent remedies.

Limitation on Remedies

Notwithstanding anything to the contrary, no deficiency judgment upon foreclosure or exercise of other remedies may be entered against the Issuer or the State (as Lessee or otherwise) or any of its political subdivisions, provided that the Lessee shall remain liable to pay Rentals for any period that it uses, occupies and operates the Leased Property, and the Trustee shall be entitled to recover such Rentals from the Lessee as provided in the Indenture.

No breach of any covenant or agreement in the Indenture or the Lease shall impose any general obligation or liability upon, nor a charge against the general credit or taxing power of, the State (in its capacity as Lessee or otherwise) or any of its political subdivisions.

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the 1999A Bonds, and shall do so upon the written request of the Owners of more than 50% in aggregate principal amount of all Bonds then Outstanding, subject to the provisions of the Indenture.

Rights and Remedies of Owners of the 1999A Bonds

Except in the case of a failure of the Trustee to accelerate payment of principal of the 1999A Bonds pursuant to the provisions of the Indenture described under the heading “Remedies Upon Default” above, no Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or the enforcement of any Mortgage or for the appointment of a receiver or any other remedy under the Indenture or under any Mortgage, unless (a) a default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, (b) such default has become an Event of Default and the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such Owners have offered to the Trustee indemnity as provided for in the Indenture and (d) the Trustee thereafter has failed or refused to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name or in the name of such Owners. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 1999A Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or the Mortgages or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law, the Indenture and any applicable Mortgage.

Limitations Of Liability

Limitations of Liability of Issuer

The Trustee and the Owners agree to look solely to the Trust Estate, including the Leased Property and the Revenues, for the payment of the obligations of the Issuer under the Indenture. However, nothing contained in the Indenture shall limit, restrict or impair the rights of the Owners of the 1999A Bonds or the Trustee to exercise all rights and remedies provided under the Indenture, the Mortgages, the Lease or any Site Lease or otherwise realize upon the Trust Estate and the Trustee may join the Issuer and the Lessee and their officers, trustees, agents and employees, in their capacities as officers, trustees, agents and employees of the Issuer or the Lessee, as defendants in any legal action it undertakes to enforce its rights and remedies under the Indenture.

Limitations of Liability of Lessee

Nothing in the Indenture shall be construed to require the Lessee to appropriate any money for the performance of any obligation under the Indenture or under the Lease. No provision of the Indenture shall be construed or interpreted as creating a general obligation or other indebtedness of the State (in its capacity as Lessee or otherwise) or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery and performance of the Lease nor the issuance of the 1999A Bonds directly or indirectly obligates the Lessee to make any payments under the Indenture or under the Lease beyond those appropriated for the Lessee's then current Fiscal Year or to pay the Option Price or any portion thereof.

Supplemental Indentures; Waivers

Supplemental Indentures Without Consent of the Owners of the 1999A Bonds

The Issuer and the Trustee from time to time and at any time with the prior written consent of the Lessee, but without the consent of or notice to any Owners and subject to the restrictions contained in the Indenture, may enter into an indenture or indentures supplemental thereto and that shall thereafter form a part thereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Issuer;

(b) to subject to the lien of the Indenture additional Property and Revenues hereafter acquired by the Issuer and intended to be subjected to the lien of the Indenture and to correct and amplify the description of any Property and Revenues subject to the lien of the Indenture;

(c) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect;

(d) to cure any ambiguity or cure, correct or supplement any provision contained in the Indenture or in any Supplemental Indenture that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture or to make such other provisions in regards to matters or questions arising under the Indenture or any Supplemental Indenture as shall not adversely affect in a material way the interest of any Owner;

(e) to comply with any additional requirements necessary to maintain the excludability from gross income for Federal income tax purposes of interest on the 1999A Bonds; or

(f) to authorize the issuance of Additional Bonds and provide the terms therefor, including such provisions as are necessary in connection with the terms required to issue Variable Rate Bonds.

Waivers and Consents by Owners; Supplemental Indentures with Owners' Consent

Upon the prior written waiver or consent of the Owners of at least 66 2/3% in aggregate principal amount of the 1999A Bonds then Outstanding, (a) the Issuer may take any action prohibited, or omit the taking of any action required, by any of the provisions of the Indenture or any Supplemental Indenture, or (b) the Issuer and the Trustee may enter into an indenture or indentures supplemental thereto for the purpose of adding, changing or eliminating any provisions of the Indenture or of any Supplemental Indenture thereto or modifying in any manner the rights and obligations of the Owners of the 1999A Bonds and the Issuer; provided that no such waiver or supplemental indenture shall (i) impair or affect the right of any Owner to receive payments or prepayments of the principal of, and premium, if any, and interest on, such Owner's Bond, as provided therein and in the Indenture, without the consent of such Owner, (ii) permit the creation of any Lien with respect to any of the Trust Estate, without the consent of the Owners of all the 1999A Bonds at the time Outstanding, (iii) effect the deprivation of the Owner of any Bond of the benefit of the liens of the Indenture or any Mortgage upon all or any part of the Trust Estate without the consent of such Owner, (iv) reduce the aforesaid percentage of the aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or supplemental indenture pursuant to the Indenture, without the consent of the Owners of all of the 1999A Bonds at the time Outstanding or (v) modify the rights, duties or immunities of the Trustee without the consent of the Trustee and the Owners of all of the 1999A Bonds at the time Outstanding.

Amendment Of Lease And Site Leases

Amendments to Lease or Site Leases Not Requiring Consent of Owners

The Issuer and the Lessee may, with the prior written consent of the Trustee, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Lease or any Site Lease as may be required (a) by the provisions of the Lease, any Site Lease or the Indenture; (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease or any Site Lease; (c) in order to more precisely identify the Leased Property or any portion thereof or to add additional or substituted improvements or properties acquired in accordance with the Lease, any Site Lease or the Indenture; (d) in connection with any other change in the Lease or any Site Lease that, in the judgment of the Trustee, does not adversely affect in a material way the interests of the Trustee or any Owner; (e) for the purposes of complying with additional requirements necessary to maintain the excludability from gross income for Federal income tax purposes of interest on the 1999A Bonds or (f) in connection with the issuance of Additional Bonds, including such provisions as are necessary to provide for Variable Rate Rentals.

Amendments to Lease or Site Leases Requiring Consent of Owners

Except for the amendments, changes or modifications described in the preceding paragraph, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Lease or any Site Lease without the prior written approval or consent of the Owners of not less than 66 2/3% in aggregate principal amount of the 1999A Bonds at the time Outstanding.

THE LEASE

Term Of The Lease

Commencement of the Term of the Lease

The initial term of the Lease commenced as of September 1, 1994, and expired on June 30, 1995 (the "Initial Term"), subject to the Lessee's option to extend the term of the Lease for 24 additional and consecutive one–year renewal terms commencing July 1, 1995, and a final renewal term commencing July 1, 2020, and ending May 16, 2021. The Lessee has exercised its option to extend the term of the Lease and is currently in the fifth Renewal Term which expires on June 30, 2000. The terms and conditions of the Lease during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Base Rentals will be as specified in Schedules attached to the Lease, as such Schedules may be revised as provided in the Indenture.

Each option shall be exercised automatically by the enactment into law of a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient (after taking into account any moneys legally available for such purpose, including, but not limited to, such moneys as may be legally available from non–lapsing appropriations in the Fiscal Year prior to such Renewal Term) to pay the Base Rentals (using for purposes of computing any Variable Rate Rentals, a projected interest cost based upon the formula contained in the Supplemental Lease providing for such Variable Rate Rentals) and reasonably estimated Additional Rentals (calculated as provided in the Lease) for the next succeeding Renewal Term as provided in the Lease. The enactment into law of such State budget, after compliance with the procedures required by applicable law, shall automatically extend the term of the Lease for the succeeding Renewal Term without any further action required by any official, officer or employee of the Lessee or any other Person.

The option to renew may not be exercised at any time during which an Event of Default or an Event of Nonappropriation (except as otherwise provided in the Lease as described under the heading "Rentals Payable—Nonappropriation" below) has occurred and is then continuing under any of the terms of the Lease; *provided, however,* that if the Event of Default complained of (money payments excepted) is of such nature that the same is curable but not within the period allowed for curing such Event of Default, then the right of the Lessee to exercise the option to renew shall not be suspended if the Lessee shall have promptly commenced within such period to comply with the provisions of the Lease that shall have been breached by it and if and so long as the Lessee shall, with diligence and continuity, proceed to cure such Event of Default.

Expiration or Termination of the Term of the Lease

The term of the Lease will expire or terminate, as appropriate, as to the Lessee's right of possession of the Leased Property as described in the next paragraph upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (which is not thereafter waived by the Trustee); (b) on the Optional Payment Date on which the deposit is made of the purchase price by the Lessee for Leased Property to be purchased pursuant to the Lease; (c) an Event of Default and a termination of the term of the Lease as to the possessory interest of the Lessee as provided in the Lease; (d) discharge of the Indenture as therein provided; or (e) May 16, 2021, which date constitutes the day following the last Bond Payment Date of the final Renewal Term of the Lease, or such later date as all Rentals required under the Lease and the 1999A Bonds shall be paid.

The expiration or termination of the term of the Lease as to the Lessee's right of possession and use of the Leased Property as described in the preceding paragraph shall terminate all obligations of the Lessee thereunder (except to the extent that the Lessee incurred any obligation to pay Rentals from moneys theretofore appropriated and available for such purpose) and shall terminate the Lessee's rights of use, occupancy and operation of the Leased Property (except to the extent of any conveyance of the Leased Property to the Lessee purchased by the Lessee as provided in the Lease.

All other terms of the Lease and the Indenture, including all obligations of the Trustee with respect to the Owners of the 1999A Bonds and the receipt and disbursement of funds, shall be continuing until the lien of the Indenture is discharged or foreclosed, as provided in the Indenture. The termination or expiration of the term of the Lease as to Lessee's right of possession and use shall not in itself discharge the lien of the Indenture.

Rentals Payable

Rentals Payable–General

The Lessee shall pay the Base Rentals and the Additional Rentals (but shall not be entitled to prepay or cause to be prepaid any such Base Rentals or Additional Rentals, except as otherwise expressly provided in the Lease) in the amounts, at the times and in the manner set forth in the Lease, said amounts constituting in the aggregate the total of the annual Rentals payable under the Lease, as follows:

(a) *Base Rentals*. The Lessee agrees, subject to the availability of appropriations of funds to it therefor and other moneys legally available for the purpose, to pay to the Trustee for the account of the Lessee in arrears during each Renewal Term (i) the principal component of the Base Rentals payable in annual installments on May 1 of each year as set forth in the Lease and (ii) interest component of the Base Rentals payable in installments on May 1 and November 1 of each year as set forth in the Lease. The Base Rentals shall be paid for the right to the use, occupancy and operation of the Leased Property during the term of the Lease. The Lessee agrees to pay the Base Rentals in accordance with the Base Rental Payment Schedule set forth in the Lease as it may be revised from time to time by such amounts as are necessary to reflect the redemption of the principal of Bonds (other than mandatory sinking fund redemptions) or to pay the principal of and interest on Additional Bonds.

(b) *Additional Rentals.* In addition to the Base Rentals, and as part of the total Rentals during the term of the Lease, the Lessee shall pay on a timely basis, but only from legally available funds appropriated for such purposes or otherwise legally available therefor, to the parties entitled thereto an amount or amounts (the "Additional Rentals") for each Renewal Term, equivalent to the sum of the following:

(i) the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, any Mortgage and any Tax Certificate;

(ii) the reasonable fees and charges of the Trustee, any paying agent and any registrar appointed under the Indenture with respect to the 1999A Bonds for acting as trustee, paying agent and registrar as provided in the Indenture;

(iii) the reasonable fees and charges of the Trustee for extraordinary services rendered and extraordinary expenses incurred by it as Trustee under the Indenture;

(iv) the reasonable fees and out–of–pocket expenses of the Lessor relating to the Leased Property not otherwise required to be paid by the Lessee under the terms of the Lease;

(v) the costs of maintenance, operation and repair with respect to the Leased Property and utility charges as required under to the Lease and any costs to repair, rebuild or replace the Leased Property as provided in to the Lease;

(vi) the costs of casualty, public liability, property damage and workers' compensation insurance as required under to the Lease and the costs related to any self–insurance carried or required to be carried as provided in to the Lease;

(vii) the costs of taxes and governmental charges and assessments as required under to the Lease;

(viii) an amount equal to any franchise, succession, capital levy or transfer tax, or any income, excess profits or revenue tax, or any other tax, assessment, charge or levy (however denominated), if any shall ever become due, levied, assessed or imposed by the State or any political subdivision thereof upon the Base Rentals payable under the Lease or the Option Price (if paid) or upon the Leased Property, any portion thereof or any of the Revenues;

(ix) any amount of interest required to be paid on any of the foregoing items as a result of the Lessee's failure to pay any such items when due or any amount of interest required to be paid pursuant to the Lease; and

(x) any additional payment required to be made pursuant to any Tax Certificate to maintain the excludability from gross income for Federal income tax purposes of interest on any Bonds, together with an amount equal to all costs and expenses incurred by the Issuer to calculate or cause to be calculated the amount of any required payment, or otherwise to comply with the provisions of any Tax Certificate.

(c) *Prepayment of Base Rentals and Partial Redemption of Bonds.* The Lease expressly reserves to the Lessee the right, and the Lessee is authorized by the Lease, to prepay Base Rentals in addition to the Base Rentals otherwise payable under the Lease solely for the purpose of redeeming a Series of Bonds in part pursuant to the Indenture. Such additional Base Rentals shall be deposited into the Redemption Fund and applied to the redemption of the Series of Bonds in part in the manner and to the extent provided in the Indenture. See "THE 1999A BONDS—Redemption Provisions For The 1999A Bonds" in the body of the OFFICIAL STATEMENT to which this APPENDIX A is attached.

(d) *Allocation of Base Rentals.* Each payment of Base Rentals on a regularly scheduled Base Rental Payment Date shall be allocated and applied to each of the portions of the Base Rentals relating to the leasing of the respective Facilities as part of the Leased Property as provided in the Lease (each such portion being the "Amortization Payments" with respect to its related Facility) in the respective amounts set forth in the Base Rental Payment Schedule attached to the Lease. A partial payment of such Base Rentals on a regularly scheduled Base Rental Payment Date shall be allocated pro rata among such payments and shall be treated as a corresponding reduction to the amount payable with respect to each Facility. Prepayments of Base Rentals in part to effect a partial redemption of a Series of Bonds as described in paragraph (c) above shall be applied to a reduction of Base Rentals in the same manner as such Series of Bonds are redeemed in part and shall be allocated either (i) to the Amortization Payments for the Facilities or (ii) pro rata among the Amortization Payments for all Facilities financed by such Series of Bonds.

(e) *Reductions to Option Price.* The allocation of payments and prepayments of Base Rentals to Amortization Payments for a Facility as provided in the Lease shall reduce correspondingly the Option Price for that Facility.

Covenant to Request Appropriations

During the term of the Lease, the Lessee covenants and agrees (i) to include in its annual appropriation request, or to cause to be included in the annual appropriation request of those State Bodies to which all or any portion of the Leased Property is subleased as permitted by the Lease, to the Governor of the State for inclusion in the Governor's budget submitted to the Legislature, a request or requests for the amount necessary (after taking into account any moneys then legally available for such purpose) to pay the Base Rentals and reasonably estimated Additional Rentals for the Leased Property during the next succeeding Renewal Term, (ii) to submit a copy of such request or requests for appropriation to the Utah Legislative Fiscal Analyst and (iii) to take such further action (or cause the same to be taken) as may be necessary or desirable to assure that the final budget submitted to the Legislature for its consideration seeks an appropriation of moneys sufficient to pay such Base Rentals and Additional Rentals for each such Renewal Term.

To effect the covenants described in the preceding paragraph, the Lessee has in the Lease directed the Director to include in each such request submitted to the Governor and to cause to be included in the annual appropriation request of those State Bodies to which all or any portion of the Leased Property is subleased, items for all payments required for the ensuing Renewal Term under the Lease. The Lessee expresses its intention in the Lease that the decision to renew or not to renew the term of the Lease is to be made solely by the Legislature at the time the Legislature considers for adoption the final budget for each of the Fiscal Years of the State and corresponding Renewal Terms under the Lease, and not by any official or officials of the Lessee or any State Body, acting in his, her or their respective capacity as such. The Lessee covenants and agrees that it shall not amend, modify or otherwise change the appropriations made in any finally adopted budget for the payment of any Rentals without the express prior approval of the Legislature.

In the event that any Rentals to be paid by the Lessee to the Trustee are insufficient to pay any Base Rentals payable under the Lease or principal of or interest on the 1999A Bonds when due, the Lessee shall request that the Governor submit a request to the Legislature to appropriate additional funds to the Lessee or to any State Body that is subleasing a portion of the Leased Property for the payment of increased Rentals as authorized by Section 63–9a–8 of the Act.

Limitations on Liability

Nothing in the Lease shall be construed to require the Legislature to appropriate any money to pay any Rentals or the Option Price or any portion thereof. If the Lessee fails to pay any portion of the Rentals that are due under the Lease or an Event of Default under the Lease or an Event of Nonappropriation occurs, the Lessee shall immediately (but in no event earlier than the expiration of the Initial Term or the then current Renewal Term for which the Lessee has paid or appropriated moneys sufficient to pay all Rentals due for such Renewal Term, in the case of an Event of Nonappropriation) quit and vacate the Leased Property in accordance with the schedule therefor provided by the Lessee to the Trustee in accordance with the Lease, and its obligation to pay any Rentals (except for Rentals theretofore appropriated and then available for such purpose) shall thereupon cease. Neither the State (in its capacity as Lessee or otherwise) nor any political subdivision thereof is obligated to pay any Rentals due to the Lessor or the Option Price or any portion thereof.

Should the Lessee fail to pay any portion of the required Rentals and then fail immediately to quit and vacate the Leased Property, the Trustee in accordance with the Indenture or any Mortgage may immediately bring legal action to evict the Lessee from the Leased Property (but not for money damages except as provided in the Lease and in the Indenture) and commence proceedings to foreclose the lien of the Indenture and any Mortgage pursuant to their respective provisions. The Lessee agrees, to the extent permitted by law, to pay as damages for its failure immediately to quit and vacate the Leased Property upon termination of the Initial Term or the then current Renewal Term, as the case may be, of the Lease in violation of the terms thereof and Section 63–9a–8 of the Act an amount equal to the Base Rentals otherwise payable during such period prorated on a daily basis and any reasonable Additional Rentals attributable to such period on the basis of the services provided.

Nothing in the Lease shall be construed to provide the Trustee or any Owners with any recourse against any Facilities or any portion thereof released from the security interests and lien under the Lease and under the Indenture and any Mortgage pursuant to the Lease. No judgment may be entered against the State (in its capacity as Lessee or otherwise) or any political subdivision of the State for failure to pay any Rentals or the Option Price or any portion thereof, except to the extent that the Lessee has theretofore incurred liability to pay any such Rentals through its actual use, occupancy and operation of the Leased Property, or through its exercise of an option that renews the Lease for an additional Renewal Term for which moneys have been appropriated, or is otherwise obligated to pay such Rentals pursuant to the Lease.

The Rentals constitute current expenses of the Lessee, and the Lessee’s obligations hereunder are from year–to–year only and do not constitute a mandatory payment obligation of the Lessee in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the 1999A Bonds nor the obligation to pay Rentals under the Lease constitute or give rise to a general obligation or liability of, or a charge against the general credit or taxing power of, the State or any political subdivisions thereof. Neither the execution, delivery and performance of the Lease nor the issuance of the 1999A Bonds directly or indirectly obligates the Lessee to make any payments under the Lease beyond those appropriated for the Lessee's then current Fiscal Year.

Nonappropriation

In the event that sufficient funds (i) are not appropriated in the duly enacted State budget by the June 1 next preceding the beginning of any Renewal Term for the payment of the Base Rentals on the Base Rental Payment Dates and reasonably estimated Additional Rentals payable during such Renewal Term, or (ii) are otherwise not legally available for such purpose, then an Event of Nonappropriation shall be deemed to have occurred under the Lease. The Trustee shall declare an Event of Nonappropriation on any earlier date on which the Trustee receives an Officer's Certificate from an Authorized Lessee Representative to the effect that the Legislature has determined by official action not to renew the term of the Lease for the next succeeding Renewal Term and, absent receipt of such Officer's Certificate and if an Event of Nonappropriation has otherwise occurred under the Lease, the Trustee shall give written notice to the Lessee of any Event of Nonappropriation on or before July 1 next succeeding the expiration of the term of the Lease or such later date as the Trustee determines to be in the best interest of the Owners. Any failure of the Trustee to give such written notice to the Lessee will not prevent the Trustee from declaring an Event of Nonappropriation or from taking any remedial action that would otherwise be available to the Trustee under the Lease or under the Indenture or any Mortgage. An Event of Nonappropriation shall also be deemed to have occurred if, during any Renewal Term, any Additional Rentals shall become due for which moneys were not appropriated in the duly enacted budget, or that exceed the amount for those Additional Rentals included in such budget, and funds are not legally available (including funds legally available for such purpose under the Indenture) to the Lessee to pay such Additional Rentals by the earlier of June 30 of the then current Renewal Term or 90 days after the date on which such Additional Rentals are due.

The Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the 1999A Bonds. After June 30 of each year during the term of the Lease the Trustee shall not waive any Event of Nonappropriation that results from sufficient funds not being appropriated in the duly enacted budget for the payment of the Base Rentals that would be payable during the next succeeding Renewal Term unless the Trustee has reason to believe that appropriate officials of the Lessee and the State are diligently pursuing appropriations by the Legislature to pay such Base Rentals on a timely basis and that a delay in declaring an Event of Nonappropriation, under the circumstances, is in the best interests of the Owners of the 1999A Bonds. If an Event of Nonappropriation shall occur, the Lessee shall not be obligated to make payment of the Base Rentals or Additional Rentals provided for in the Lease beyond the last day of the Renewal Term during which such Event of Nonappropriation occurs, except for the Lessee's obligation to pay Rentals that are payable prior to the termination of the Lease. The Lessee shall continue to be liable for the amounts payable pursuant to the Lease during such time when the Lessee continues to use, occupy and operate the Leased Property.

The Trustee shall, upon the occurrence of an Event of Nonappropriation and foreclosure of the lien of the Indenture or any Mortgage, have all rights and remedies to take possession of the Leased Property as trustee for the benefit of the Owners of the 1999A Bonds and shall be further entitled to all moneys then on hand in all funds and accounts created under the Indenture. All property, funds and rights acquired by the Trustee upon the termination of the Lessee's possessory interests under the Lease by reason of an Event of Nonappropriation shall be held by the Trustee under the Indenture for the benefit of the Owners of the 1999A Bonds until the principal of, and premium (if any) and interest on, the 1999A Bonds are paid in full.

Upon the occurrence of an Event of Nonappropriation (which is not waived) or an Event of Default (which is not waived), the Lessee shall have all responsibility for vacating the Leased Property and shall vacate the Leased Property immediately following such occurrence. Within 10 days after the occurrence of an Event of Nonappropriation or an Event of Default, the Lessee shall provide the Trustee with a timetable for vacating the Leased Property, which timetable shall provide that the Lessee shall completely vacate the Leased Property no later than June 30 of the then current Renewal Term.

Acquisition, Construction And Financing Of The Projects

The Lessor shall complete or cause the completion of the Projects, all in accordance with the applicable Project Documents. For this purpose, the Lessor has entered into the Agency Agreement with the Lessee, as the Lessor's agent, and may enter into amendments to such Agency Agreement or enter into other Agency Agreements relating to Additional Facilities. The Lessor or its agent for this purpose shall require the Contractor or Contractors who are or have been awarded the Project Contract or Contracts to provide a faithful performance bond and a labor and material payment bond satisfactory to the Lessor or such agent conditioned upon substantial completion of the respective Projects as expeditiously as reasonably possible from the date of execution of the Lease and also conditioned upon delivery of possession of the Leased Property to the Lessee free and clear of all liens and encumbrances, except Permitted Encumbrances, easements and restrictions in the record title accepted by the Lessee.

In the event that a Project is not completed as described above under the caption "THE INDENTURE—Revenues And Funds–Completion of the Projects; Delivery of Completion Certificate," as evidenced by delivery of a Completion Certificate with respect to such Project, the Trustee shall, upon 30 days' written notice to the Lessee, be authorized, but not required, to complete the Project from any moneys then remaining in the Project Account related to such Project.

If an Event of Nonappropriation or an Event of Default shall occur prior to the delivery of the Completion Certificate for a Project, the moneys remaining in the Project Account relating to such Project may be utilized by the Trustee to complete such Project or, upon termination of the term of the Lease as to the possessory interest of the Lessee, may be disbursed as provided in the Indenture.

The Lessee covenants in the Lease, to the extent permitted by applicable law, to use other legally available funds and to seek additional legally available funds to the extent necessary to complete the Projects as required in the Lease, or to make certain design changes in the Projects (so long as such changes do not cause the Leased Property to be used for purposes other than lawful governmental purposes of the Lessee) to the extent necessary to complete the Projects with moneys then available for such purposes in the respective Project Accounts.

Maintenance And Operation

The Lessee shall, at its own expense, maintain, manage and operate the Leased Property and all improvements thereon in good order, condition and repair, and suffer no waste or injury to any of the Leased Property, ordinary wear and tear excepted. The Lessee shall provide or cause to be provided all security service, custodial service, janitor service, power, gas, telephone, light, heating and water, and all other public utility services. The Lessor, the Trustee and the Owners shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the term of the Lease. The Lessee shall keep the Leased Property and any and all improvements thereto free and clear of all liens, charges and encumbrances, except those caused or consented to by the Trustee and Permitted Encumbrances. The Lessee shall pay for all damage to the Leased Property, its fixtures and appurtenances due to any act or omission or cause whatsoever.

Insurance Provisions

The Lessee shall at all times maintain or cause to be maintained with responsible insurers all such insurance on the Leased Property that is customarily maintained with respect to properties of like character against accident to, loss of or damage to such properties. Notwithstanding the generality of the foregoing, the Lessee shall not be required to maintain or cause to be maintained any insurance that is not available from reputable insurers on the open market, except as required by the Lease, or more insurance than is specifically referred to below.

The Lessee shall during any period of completing each Project and thereafter so long as the Lessee has possession of the Leased Property:

(i) Keep or cause to be kept a policy or policies of insurance against loss or damage to the Leased Property resulting from fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such perils ordinarily defined as "extended coverage" and other perils as the Trustee and the Lessee may agree should be insured against on forms and in amounts satisfactory to each. Such insurance may be carried in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Lessee. Such extended coverage insurance shall, as nearly as practicable, also cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be maintained in an amount not less than the principal amount of the then Outstanding Bonds or the full insurable value of the Leased Property (such value to include amounts spent for completing the Projects and architectural, engineering, legal and administrative fees, inspection and supervision but excluding value attributable to the sites on which the Facilities are located), whichever amount is greater, subject to deductible conditions for any loss not to exceed the lesser of $500,000 or the amount available at any time for such deductible in the Risk Management Fund for any one loss;

(ii) Maintain or cause to be maintained public liability insurance against claims for bodily injury or death, or damage to property occurring upon, in or about the Leased Property, such insurance to afford protection to a limit of not less than $1 million combined single limit; *provided, however,* that nothing in the Lease shall be construed to require the Lessee to maintain or cause to be maintained any such public liability insurance for amounts greater than the limitations on such liability provided under the Utah Governmental Immunity Act, Chapter 30 of Title 63 of the Utah Code. Such insurance may be maintained under an Owners, Landlords and Tenants policy and may be maintained in the form of a minimum $1 million single limit policy covering all such risks. Such insurance may be carried in conjunction with any other liability insurance coverage carried or required to be carried by the Lessee; and

(iii) Maintain or cause to be maintained workers' compensation coverage to the extent required by law.

All insurance provided for in the Lease shall be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State, except as otherwise provided in the Lease. The Lessee may, in its discretion, insure the Leased Property under blanket insurance policies that insure not only the Leased Property but other properties as well, so long as such blanket insurance policies otherwise comply with the terms of the Lease.

The Net Proceeds of fire and extended coverage insurance shall be deposited into the Insurance Fund under the Indenture to be applied to rebuild, replace and repair the affected portion of the Leased Property or redeem Outstanding Bonds as provided in the Lease. The Net Proceeds of public liability and property damage insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

Notwithstanding anything to the contrary in the Lease, any policies of insurance or any deductible under any policies of insurance that the Lessee is required to keep or cause to be kept pursuant to the Lease may be provided through the Risk Management Fund or other self–insurance program of the State.

Taxes

The Lessor and the Lessee understand and agree in the Lease that the Leased Property constitutes public property free and exempt from all taxation in accordance with applicable law; *provided, however*, that the Lessor agrees to cooperate with the Lessee, upon written request by the Lessee, to contest any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. In the event that the Leased Property or any portion thereof or any portion of the Rentals shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body that may be secured by a lien against the Leased Property or any portion of the Rentals, an Additional Rental shall be paid by the Lessee equal to the amount of all such taxes, assessments and governmental charges then due.

Alterations, Additions And Improvements

The Lessee shall have the right during the term of the Lease to make any alterations, additions, replacements, renovations, rehabilitations or improvements of any kind, structural or otherwise, as it shall deem necessary or desirable, on or to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the Leased Property; *provided, however,* that no such alteration, addition, replacement, renovation, rehabilitation or improvement shall reduce or otherwise adversely affect the value of the Leased Property or the fair rental value thereof or materially alter or change the character or use of the Leased Property or impair the excludability of interest on the 1999A Bonds from gross income of the Owners thereof for Federal income tax purposes.

Except as described below, all such alterations, additions and improvements shall become the property of the Lessor as a part of the Leased Property and shall be subject to the Lease and the Indenture.

All of the Lessee's equipment and other personal property installed or placed by the Lessee in or on the Leased Property that is not a fixture under applicable law or that is not paid for with the proceeds of sale of the 1999A Bonds shall remain the sole property of the Lessee in which neither the Lessor, the Owners of the 1999A Bonds nor the Trustee shall have any interest.

Damage Or Destruction; Condemnation

The Lessor and the Lessee agree in the Lease that it is the intent of the parties that, after the delivery of the Completion Certificate with respect to a Project, the risk of any loss arising out of any damage, destruction or condemnation of the portion of the Leased Property represented by such Project shall be borne by the Lessee and not by the Lessor or the Owners. The Lessee covenants and agrees that in the event of any such damage, destruction or condemnation, the Lessee shall either repair, rebuild or replace the affected portion of the Leased Property to essentially its same condition before any such damage, destruction or condemnation or provide funds, either through payment of the applicable Option Price, or otherwise, but in any event only from legally available moneys for such purpose, necessary to redeem Bonds at the earliest practicable date in accordance with the Indenture.

If, during the term of the Lease, (i) the Leased Property or any portion thereof shall be destroyed, in whole or in part, or damaged by fire or other casualty or event; or (ii) title to, or the temporary or permanent use of, the Leased Property or any portion thereof or the estate of the Lessee, the Lessor or the Trustee in the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (iii) a material defect in Construction of any of the Facilities shall become apparent; or (iv) title to or the use of all or any portion of the Leased Property shall be lost by reason of a defect in title; then, subject to the provisions of the Lease, the Lessee shall continue to pay Base Rentals and Additional Rentals and to take such action as it shall deem necessary or appropriate to repair, rebuild and replace the affected portion of the Leased Property, regardless of whether the Projects, or any of them, have been completed and accepted by the Lessee.

In accordance with the Indenture, the Trustee shall cause the Net Proceeds of any insurance policies (including any moneys derived from the Risk Management Fund or other self–insurance program), performance bonds or condemnation awards with respect to the Leased Property, or Net Proceeds received as a consequence of defaults under Project Contracts (excluding liquidated damages) for the Projects, to be deposited into the Insurance Fund to be applied as provided in the Lease and in the Indenture. Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged or destroyed portion of the Leased Property by the Lessee. The balance of any Net Proceeds remaining after the repair, restoration, modification, improvement or replacement has been completed are to be deposited into the appropriate Project Account in the Project Fund, if received prior to the applicable Completion Date and, if received thereafter, are to be deposited into the Redemption Fund, except to the extent otherwise required by a Tax Certificate. The Trustee shall cause the Net Proceeds of any liquidated damages received as a consequence of a default by a Contractor to complete a Project in a timely fashion under the Construction Contract to be deposited into the Bond Fund.

If such Net Proceeds shall be insufficient to pay in full the cost of any such repair, restoration, modification, improvement or replacement, the Lessee shall, within 90 days after the occurrence of the event giving rise to such Net Proceeds, either:

(i) commence and thereafter complete the work and pay any cost in excess of the Net Proceeds, but only from Additional Rentals, in which case the Lessee agrees that it will not be entitled to any reimbursement therefor from the Trustee or the Owners of the 1999A Bonds, nor shall it be entitled to any diminution of the Base Rentals or Additional Rentals; or

(ii) if the failure to repair, rebuild or replace shall not materially detract from the value of the Leased Property, then the Lessee may discharge its obligation to repair, rebuild or replace the affected portion of the Leased Property by causing such Net Proceeds to be deposited into the Redemption Fund for the purpose of causing the extraordinary optional redemption of all or part of the 1999A Bonds, as appropriate, in accordance with the Indenture; or

(iii) apply or provide for the application of such Net Proceeds to the payment of the Option Price applicable to the affected Facilities as of the next occurring Optional Payment Date, in which case, if the Net Proceeds are insufficient to pay such Option Price, the Lessee shall pay or provide for the payment of such amounts as are necessary to equal the full Option Price applicable to such affected Facilities.

The Lessee agrees in the Lease that any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds shall be the property of the Lessor subject to the Indenture, any relevant Mortgage and the Lease, and will be included as part of the Leased Property subject to the Lease and the Indenture.

Assignments

Neither the Lease nor any interest of the Lessee therein or in the Leased Property shall, at any time after the date of the Lease, without the prior written consent of the Trustee, be mortgaged, pledged, assigned or transferred by the Lessee by voluntary act or by operation of law, or otherwise, except as specifically provided in the Lease. The Lessee shall at all times remain liable for the performance of the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or subletting that may be made.

The Lessee shall have the right, without notice to or consent of the Lessor, the Trustee or any Owner of Bonds, to further sublease or permit the use of any specified portion of the Leased Property (i) to or for the benefit of any State Bodies with respect to any of the Facilities, (ii) to or for the benefit of any political subdivision or other governmental entity of the State and (iii) to any private operator, manager or service provider on such basis, for such use and for such period as will not impair the excludibility from gross income for federal income tax purposes of interest on the 1999A Bonds. No subleasing of the Leased Property shall relieve the Lessee from its obligation to pay Rentals as provided in the Lease or relieve the Lessee from any other obligations contained therein. No such assignment or sublease may be made if the use of the portion of the Leased Property represented by such subleased Facilities by the assignee or sublessee will affect the validity of the Lease, change the character or use of the Leased Property to ones not then permitted by applicable law or impair the excludability from gross income for federal income tax purposes of interest on the 1999A Bonds.

Compliance With Environmental Laws

The Lessee covenants and agrees in the Lease to carry on the business and operations at the Leased Property in a manner that complies in all respects, and will remain in compliance, with all Federal, State, regional, county or local laws, statutes, rules, regulations or ordinances concerning public health, safety or the environment, but only to the extent applicable to the Lessee.

Amendments, Changes And Modifications

Subject to certain limitations contained in the Lease, the Lessor and the Lessee may make, from time to time, without the consent of the Trustee or the Owners of the 1999A Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the Facilities are located as the Lessor and the Lessee mutually agree to be necessary and desirable to facilitate the use and development by the Lessee, its successors, permitted sublessees and assigns, of such sites.

The Lease may be amended at any time by written agreement of the Lessor and the Lessee (regardless of any assignments of the Lessor's interests), with the prior written consent of the Trustee, but without notice to or the consent of the Owners of the 1999A Bonds pursuant to the Indenture, (a) whenever, in the opinion of counsel satisfactory to the Trustee and the Lessee, the contemplated amendment is necessary to cause the Lease to comply with Utah law or to cause interest on the 1999A Bonds to be or remain excludible from gross income for Federal income tax purposes, (b) whenever the effect of such amendment is solely to add further, additional or improved security to the rights of the Trustee and the Owners of the 1999A Bonds, (c) whenever the amendment shall not prejudice in any material respect the rights of the Owners of the 1999A Bonds then Outstanding or (d) otherwise for any of the purposes permitted by the Indenture. See "THE INDENTURE—Amendment Of Lease And Site Leases" above.

Lessee's Options To Purchase The Leased Property

The Lessee may, if no Event of Default has occurred and is then continuing under the Lease, purchase the Leased Property or any portion thereof representing separate Facilities, subject to the terms of the Lease, on each Optional Payment Date by delivering written notice during the term of the Lease to the Trustee not less than forty–five (45) days prior to each Optional Payment Date indicating the Lessee's intention so to purchase the Leased Property or a portion thereof representing such Facilities.

The purchase price for the Leased Property in its entirety to be paid by the Lessee to exercise the option granted in the Lease shall be an amount equal to (i) the Option Price applicable on such Optional Payment Date as indicated on the Option Price Schedule, plus interest on the 1999A Bonds to the Optional Payment Date, premium on the 1999A Bonds applicable on such Optional Payment Date, if any, and fees and expenses that must be paid to retire the then Outstanding Bonds, (ii) all costs of transferring title to the Leased Property to the Lessee and (iii) all other reasonable costs and expenses incidental thereto.

The purchase price for a portion of the Leased Property representing separate Facilities shall be an amount equal to (i) the portion of the Option Price applicable to such Facilities on such Optional Payment Date as indicated in the Option Price Schedule attached to the Lease, plus the portion of interest on the 1999A Bonds allocable to such Facilities to the Optional Payment Date, premium (if any) on the 1999A Bonds to be prepaid from amounts deposited to pay such purchase price and fees and expenses related to a partial redemption of the then Outstanding Bonds, (ii) all costs of releasing the lien of the Indenture and the applicable Mortgage with respect to, and transferring title to, the Facilities to be purchased to the Lessee and (iii) all other reasonable costs and expenses incidental thereto. Nothing in the Lease shall be construed to create any obligation of the Lessee to purchase the Leased Property or any such separate Facilities.

Events Of Default; Remedies

Events of Default Defined

Any of the following shall be an "Event of Default" under the Lease:

(a) Failure by the Lessee to pay any Base Rentals required to be paid under the Lease with respect to the 1999A Bonds at the times specified therein as the respective due dates therefor; or

(b) Failure by the Lessee to pay any Additional Rentals during the term of the Lease for a period of 30 days after written notice specifying such failure and requesting that it be remedied shall be received by the Lessee from the Trustee; or

(c) Failure by the Lessee to vacate the Leased Property by the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation occurs; or

(d) Failure by the Lessee to observe and perform any covenant, condition or agreement in the Lease on its part to be observed or performed, other than as referred to in the Lease, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; *provided, however,* that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; or

(e) Any representation or warranty (i) made by the Lessee or by the Lessor pursuant to the Lease or (ii) contained in any certificate delivered in connection with the Lease, shall prove to have been false or misleading in any material respect when made; or

(f) The entry of an order or decree in any court of competent jurisdiction enjoining or restraining any of the Projects or enjoining, restraining or prohibiting the Lessee from consummating the transactions contemplated by the Lease, which order or decree is not vacated and which proceedings are not discontinued within 60 days after the granting of such order or decree.

The foregoing provisions of the Lease are subject to the following limitations: (i) the obligations of the Lessee to make payments of the Base Rentals and the Additional Rentals shall be subject to the provisions of the Lease with respect to an Event of Nonappropriation; and (ii) if, by reason of Force Majeure (defined below), the Lessee shall be unable in whole or in part to carry out any agreement on its part contained in the Lease (other than the obligations of the Lessee to pay Base Rentals and Additional Rentals), the Lessee shall not be deemed in default during the continuance of such inability. The Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out its agreement; *provided, however,* that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Lessee.

The term “Force Majeure” means the following: acts of God; strikes, lockouts or other disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the State or any of their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; partial or entire failure or unavailability of utilities; or any other cause or event not reasonably within the control of the Lessee.

Remedies on Default

Upon the occurrence and continuance of any Event of Default under the Lease or an Event of Nonappropriation, the Trustee shall give notice to the Lessee to vacate the Leased Property immediately (but in no event earlier than the expiration of the then current Renewal Term for which the Lessee has paid or appropriated moneys sufficient to pay all Rentals due for such Renewal Term, in the case of an Event of Nonappropriation) and shall, without any further demand or notice, (i) terminate the Lease or the Lessee’s possessory rights under the Lease (without otherwise terminating the Lease), re–enter the Leased Property and eject all parties therefrom, and relet the Leased Property or commence proceedings to foreclose on and liquidate, relet or sell the Leased Property; (ii) exercise any of the remedies provided to the Trustee upon the occurrence of an Event of Default under the Indenture or any applicable Mortgage as the Trustee shall determine to be in the best interests of the Owners; or (iii) take any action at law or in equity deemed necessary or desirable to enforce its and the Owners’ rights with respect to the Leased Property and the Lessee.

Upon the termination of the term of the Lease or the Lessee’s possessory interests in the Lease by reason of an Event of Nonappropriation or an Event of Default, all moneys then held in any fund or account under the Indenture and any Net Proceeds received on any foreclosure, liquidation, reletting or sale shall be held by the Trustee for the benefit of the Owners of the 1999A Bonds (and applied from time to time as provided in the Indenture). Notwithstanding anything in the Lease to the contrary, the Trustee shall be entitled to relet the Leased Property for such period (not exceeding the term of any applicable Site Lease) as is necessary for the Trustee to obtain sufficient moneys to pay in full the principal of, and premium (if any) and interest on, the 1999A Bonds, and the obligations of the Trustee with respect to the Owners of the 1999A Bonds and the receipt and disbursement of funds shall be continuing until the liens of the Indenture and the Mortgages are discharged as provided in the Indenture and the Mortgages except as a result of foreclosure.

The Trustee shall give preference in liquidating, reletting or selling the Leased Property (subject to the Site Leases) provided therein to those lessees or buyers of the Leased Property whose use or ownership of the Leased Property would preserve the excludability from gross income for Federal income tax purposes of interest on the 1999A Bonds.

Limitations on Remedies

With the sole exception of the obligation of the Lessee to pay Base Rentals and Additional Rentals attributable to any period during which the Lessee shall actually use, occupy and operate the Leased Property, or for which the Legislature has appropriated funds for such purpose, no judgment requiring the payment of money not subject to the lien of the Indenture may be entered against the Lessee by reason of any Event of Default or an Event of Nonappropriation under the Lease. In the event the term of the Lease is terminated as a result of an Event of Default or an Event of Nonappropriation, no deficiency judgment may be entered against the Lessee, except as otherwise expressly herein provided with respect to the Lessee’s actual use, occupancy and operation of the Leased Property. The Lessee shall not be under any obligation in respect to any creditors, shareholders or security holders of the Lessor (including the Owners of the 1999A Bonds), and no remedy or other provision herein or in the Indenture or in any Mortgage provided shall be construed to provide any such remedy or to create or impose any such obligation.

STATE FACILITIES MASTER AGENCY AGREEMENT

The following is a summary of certain provisions of the State Facilities Master Agency Agreement. Reference is hereby made to the actual State Facilities Master Agency Agreement for a complete recital of its terms. Copies of the State Facilities Master Agency Agreement may be obtained from the Trustee.

The Lessor under the State Facilities Master Agency Agreement appoints the Agent as its exclusive agent for the purpose of acquiring and constructing or causing the acquisition and construction of the Facilities pursuant to the Project Documents and in accordance with the terms of the Lease. The Agent, as agent for the Lessor for such purpose, assumes all rights, liabilities, duties, and responsibilities of the Lessor regarding supervision of the acquisition and construction of such Facilities as are granted to or imposed upon the Lessor pursuant to the Lease. The Agent agrees to supervise acquisition and construction of such Facilities in a manner to assure that, upon final completion thereof, the Facilities shall be free and clear of all liens and encumbrances that may arise in connection with the work performed on the Facilities and will be acceptable to the Agent in its capacity as Lessee under the Lease for its use and occupancy during the term of the Lease. The Agent is authorized by the State Facilities Master Agency Agreement to execute and deliver the Project Documents, including without limitation collateral assignments thereof in favor of the Trustee.

PROPOSED AMENDMENTS TO THE INDENTURE AND THE LEASE

Proposed Amendments To The Indenture

The Fifth Supplemental Indenture of Trust entered into by the Authority in conjunction with the issuance of the 1998A Bonds contains proposed amendments to the Indenture that, among other things, permit the creation of a security interest for the benefit of the Trustee in Additional Facilities consisting of a variety of personal property (including, without limitation, vehicles and equipment) that may be financed under the Indenture, and makes conforming changes to the condemnation, remedy and termination provisions of the Indenture to reflect the personal property nature of such Additional Facilities. In order to finance Additional Facilities consisting of personal property, the amendments further provide that the Authority may issue Additional Bonds without regard to the requirement to provide title insurance, if the Authority submits to the Trustee a certificate stating that such Additional Facilities or portions thereof to be financed or refinanced are of such a nature that obtaining title insurance thereon is impractical or impossible.

The proposed amendments also provide that the Authority may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without subjecting such Additional Facilities or portions thereof to any additional Mortgages or supplements to existing Mortgages and without providing title insurance thereon, if the Authority submits to the Trustee a certificate stating and demonstrating that (a) the Additional Facilities or portions thereof to be financed or refinanced are of such a nature that would make an additional Mortgage or a supplement to an existing Mortgage impractical and (b) the value to the Lessee of the Facilities and Additional Facilities or portions thereof that are subject to Mortgages is sufficient to secure all Outstanding Bonds and the Additional Bonds to be issued.

The proposed amendments broaden the definition of "Excepted Property" to include Additional Facilities in which the Trustee has not been given a lien or security interest as provided in the relevant Supplemental Indenture.

Proposed Amendments to the Lease

The Fifth Amendment to the Lease entered into by the Authority in conjunction with the issuance of the 1998A Bonds contains proposed amendments to the Lease that, among other things, make conforming changes to the condemnation, remedy and termination provisions of the Indenture applicable to Additional Facilities that consist of personal property. The proposed amendments also provide that, notwithstanding any other provisions of the Lease to the contrary, in the event that a lien on or a security interest in, any Facility constituting a portion of the Leased Property has not been granted to the Trustee under a Mortgage, the Lessee shall not be required to surrender, quit or vacate such Facility under any circumstance except as otherwise required by the Act.

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APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1998

The General Purpose Financial Statements of the State for the Fiscal Year Ended June 30, 1998 are contained herein. Copies of current and prior financial reports are available upon request from the contact person as indicated under "INTRODUCTION—Contact Persons" above.

The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the *fourteenth* consecutive year, beginning with Fiscal Year Ended June 30, 1985 through Fiscal Year Ended June 30, 1998.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The State's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999 must be completed under State law by December 31, 1999.

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STATE OF UTAH
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UTAH STATE AUDITOR

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INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Michael O. Leavitt
Governor, State of Utah

We have audited the accompanying general-purpose financial statements of the State of Utah as of and for the year ended June 30, 1998. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Utah Public Employees Group Insurance, which represents 26 percent of the assets and 55 percent of the operating revenues of the internal service funds; the Utah State Retirement Office, which represents 79 percent of the assets of the trust and agency funds; the Workers' Compensation Fund of Utah, which represents 36 percent of the assets and 70 percent of the operating revenues of the proprietary component unit funds; and the College of Eastern Utah, Dixie College, Salt Lake Community College, Southern Utah University, Utah Valley State College, Weber State University, Utah State University's research foundation, and the University of Utah's hospital, foundations, and institutes, which combined represent 30 percent of the assets and 40 percent of the revenues and other additions of the college and university component unit funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Utah as of June 30, 1998, and the results of its operations, the cash flows of its proprietary fund types and nonexpendable trust fund, the changes in net assets of its pension trust funds and investment trust fund, and the changes in fund balances and current funds revenues, expenditures, and other changes of the college and university funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the general-purpose financial statements, the State changed its method of accounting and financial reporting for investments and deferred compensation plans.

Auston G Johnson

UTAH STATE AUDITOR
November 13, 1998

STATE OF UTAH

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1998 (Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
Assets						
Cash and Cash Equivalents (Note 3)	$ 117,054	$ 193,648	$ 32,570	$ 17,482	$ 60,484	$ 104,303
Investments (Notes 1, 3, 15)	163,356	425,604	62,801	11,805	92,570	161,104
Receivables: (Note 1)						
Accounts (Note 15)	221,462	119,013	16	26	9,297	11,930
Notes/Mortgages	169,095	9,838	—	—	655,796	307,400
Accrued Interest	1,624	—	—	—	13,809	10,457
Accrued Taxes	182,881	161,950	—	—	—	—
Unbilled	—	5,519	—	—	—	—
Due From Other Funds (Note 5)	24,441	59,923	3,151	52	2,081	12,477
Due From Component Units (Note 5)	—	—	19,126	—	—	—
Due From Primary Government (Note 5)	—	—	—	—	—	—
Advances to Other Funds	23,437	203	—	—	160	—
Inventories	870	9,594	—	—	11,661	2,446
Prepaid Items	—	—	—	—	788	1,081
Deferred Charges	—	—	—	—	3,370	—
Deferred Compensation Plan Assets (Note 16)	—	—	—	—	—	—
Fixed Assets — net, where applicable, of accumulated depreciation (Note 1, 6)	—	—	—	—	31,127	60,877
Amount Available in Debt Service Fund	—	—	—	—	—	—
Resources to be Provided in Future Years For:						
Retirement of General Obligation Bonds	—	—	—	—	—	—
Other General Long-Term Obligations	—	—	—	—	—	—
Total Assets	$ 904,220	$ 985,292	$ 117,664	$ 29,365	$ 881,143	$ 672,075
Liabilities, Equity, and Other Credits						
Liabilities:						
Vouchers Payable	$ 147,412	$ 120,676	$ —	$ —	$ 11,201	$ 12,458
Contracts Payable	—	—	18,484	—	543	—
Accrued Liabilities	40,793	10,500	—	21,487	30,146	3,219
Securities Lending Liability (Note 3)	—	—	—	—	—	32,526
Deposits	—	—	—	—	—	—
Due to Other Funds (Note 5)	10,281	83,228	1,493	311	6,591	26,223
Due to Component Units (Note 5)	—	—	—	—	—	152
Due to Primary Government (Note 5)	—	—	—	—	—	—
Due to Other Individuals or Groups	—	—	—	—	—	—
Due to Other Taxing Units	—	—	—	—	—	—
Deferred Revenue	29,242	16,268	5,822	—	5,525	918
Advances From Other Funds	—	—	—	—	—	23,801
Policy Claim Liabilities	—	—	—	—	—	87,829
Policyholder Dividends Payable	—	—	—	—	—	—
Notes Payable (Note 8)	—	—	—	—	—	325
General Obligation Bonds Payable (Note 8)	—	—	—	—	—	—
Revenue Bonds Payable (Note 8)	—	—	—	—	625,647	8,715
Leave/Postemployment Benefits (Notes 1, 8)	156,792	45,967	—	—	—	—
Deferred Compensation Plan Liability (Note 16)	—	—	—	—	—	—
Total Liabilities	384,520	276,639	25,799	21,798	679,653	196,166
Equity and Other Credits:						
Contributed Working Capital	—	—	—	—	50,423	294,779
Investment in Fixed Assets	—	—	—	—	—	—
Net Unrealized Gains on Investments	—	—	—	—	—	—
Retained Earnings	—	—	—	—	151,067	181,130
Fund Balances:						
Reserved (Note 9)	371,354	519,237	113,209	7,187	—	—
Unreserved Designated (Note 9)	138,938	153,629	—	380	—	—
Unreserved Undesignated	9,408	35,787	(21,344)	—	—	—
Total Equity and Other Credits	519,700	708,653	91,865	7,567	201,490	475,909
Total Liabilities, Equity, and Other Credits	$ 904,220	$ 985,292	$ 117,664	$ 29,365	$ 881,143	$ 672,075

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		Component Units		Total (Memorandum Only)	
			Primary Government				Reporting Entity	
Trust and Agency	General Fixed Assets	General Long-Term Obligation	June 30, 1998	June 30, 1997	College and University	Proprietary Funds	June 30, 1998	June 30, 1997
$ 1,034,965	$ —	$ —	$ 1,560,506	$ 2,636,917	$ 46,533	$ 68,509	$ 1,675,548	$ 2,720,431
14,472,184	—	—	15,389,424	11,629,187	924,965	1,065,562	17,379,951	13,327,551
114,428	—	—	476,172	351,354	216,613	9,790	702,575	595,925
—	—	—	1,142,129	1,040,201	71,302	840,376	2,053,807	1,926,620
29,482	—	—	55,372	64,659	7,786	23,057	86,215	91,637
8,873	—	—	353,704	313,383	—	—	353,704	313,383
—	—	—	5,519	4,294	—	—	5,519	4,294
27,600	—	—	129,725	99,303	—	—	129,725	112,099
—	—	—	19,126	8,841	—	—	19,126	8,841
—	—	—	0	0	152	—	152	200
—	—	—	23,800	180	—	—	23,800	180
—	—	—	24,571	25,461	23,999	5	48,575	48,986
—	—	—	1,869	1,192	13,181	1,841	16,891	14,458
—	—	—	3,370	3,649	—	24,834	28,204	25,490
2,699	—	—	2,699	171,248	14,823	—	17,522	188,879
8,840	1,326,742	—	1,427,586	1,320,922	2,414,588	14,775	3,856,949	3,517,430
—	—	7,567	7,567	13,891	—	—	7,567	13,891
—	—	1,201,930	1,201,930	366,723	—	—	1,201,930	366,723
—	—	237,819	237,819	248,370	—	—	237,819	248,370
$ 15,699,071	$ 1,326,742	$ 1,447,316	$ 22,062,888	$ 18,299,775	$ 3,733,942	$ 2,048,749	$ 27,845,579	$ 23,525,388
$ 38,209	$ —	$ —	$ 329,956	$ 286,365	$ 65,977	$ 8,584	$ 404,517	$ 368,104
—	—	29,431	48,458	47,886	37,633	—	86,091	84,016
—	—	—	106,145	67,899	40,518	36,143	182,806	131,920
1,223,260	—	—	1,255,786	1,301,730	—	—	1,255,786	1,301,730
41	—	—	41	60	29,508	18,709	48,258	43,465
1,598	—	—	129,725	99,303	—	—	129,725	112,099
—	—	—	152	200	—	—	152	200
—	—	—	0	0	19,126	—	19,126	8,841
24,509	—	—	24,509	23,849	5,188	—	29,697	28,398
58,407	—	—	58,407	2,003,173	—	—	58,407	2,003,173
308	—	—	58,083	52,989	19,474	6,986	84,543	80,367
—	—	—	23,801	180	—	—	23,801	180
316,821	—	—	404,650	396,782	—	463,137	867,787	842,951
—	—	—	0	0	—	40,497	40,497	17,646
—	—	—	325	0	10,453	2,518	13,296	10,651
—	—	1,202,310	1,202,310	367,160	—	—	1,202,310	367,160
—	—	215,575	849,937	834,623	208,326	1,100,924	2,159,187	2,015,804
—	—	—	202,759	191,092	42,882	—	245,641	229,354
2,699	—	—	2,699	171,248	14,823	—	17,522	188,879
1,665,852	0	1,447,316	4,697,743	5,844,539	493,908	1,677,498	6,869,149	7,834,938
—	—	—	345,202	331,521	—	3,948	349,150	335,470
—	1,326,742	—	1,326,742	1,236,414	2,159,907	—	3,486,649	3,208,988
—	—	—	0	0	—	5,391	5,391	28,708
—	—	—	332,197	305,954	—	361,912	694,109	584,366
14,293,284	—	—	15,304,271	10,652,491	676,730	—	15,981,001	11,192,346
—	—	—	292,947	218,797	375,818	—	668,765	603,228
(260,065)	—	—	(236,214)	(289,941)	27,579	—	(208,635)	(262,656)
14,033,219	1,326,742	0	17,365,145	12,455,236	3,240,034	371,251	20,976,430	15,690,450
$ 15,699,071	$ 1,326,742	$ 1,447,316	$ 22,062,888	$ 18,299,775	$ 3,733,942	$ 2,048,749	$ 27,845,579	$ 23,525,388

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
Revenues:				
Unrestricted:				
Sales Tax	$ 1,251,379	$ 8,654	$ —	$ —
Individual Income Tax	—	1,377,494	—	—
Corporate Tax	—	196,275	—	—
Motor and Special Fuel Tax	—	290,086	—	—
Licenses, Permits, and Fees	14,422	69,572	—	—
Investment Income	15,411	27,622	—	—
Miscellaneous Taxes and Other	162,483	485	—	—
Total Unrestricted	1,443,695	1,970,188	0	0
Restricted:				
Restricted Sales Tax	9,911	17,905	—	—
Federal Contracts and Grants	1,037,649	345,099	—	—
Departmental Collections	144,097	30,131	—	—
Aeronautics	—	22,762	—	—
Federal Mineral Lease	33,485	—	—	—
Intergovernmental Revenues	—	—	72,366	—
Investment Income	13,227	51	4,969	502
Premiums/Employer Taxes	—	—	—	—
Restricted Taxes (Note 1)	12,661	28,038	—	—
Miscellaneous	47,342	28,277	250	10,299
Total Restricted	1,298,372	472,263	77,585	10,801
Total Revenues	2,742,067	2,442,451	77,585	10,801
Expenditures:				
Current:				
General Government	230,030	—	—	—
Human Services	300,310	—	—	—
Corrections	143,808	—	—	—
Health and Environmental Quality	845,137	—	—	—
Higher Education	18,770	—	—	—
Natural Resources	88,529	—	—	—
Business, Labor, and Agriculture	42,180	243	—	—
Community and Economic Development	70,446	2,401	—	—
Employment and Family Services	285,602	—	—	—
Public Education	—	1,676,668	—	—
Transportation and Public Safety	87,703	1,038,522	—	—
Trust Administration and Distributions	—	—	—	—
Leave/Postemployment Benefits	21,641	(76)	—	—
Capital Outlay	—	—	200,912	—
Debt Service:				
Principal Retirement	—	—	—	75,150
Interest and Other Charges	—	—	—	55,925
Total Expenditures	2,134,156	2,717,758	200,912	131,075
Excess Revenues Over (Under) Expenditures	607,911	(275,307)	(123,327)	(120,274)
Other Financing Sources (Uses):				
Proceeds of Revenue Bonds/Contracts	954	—	—	—
Proceeds of General Obligation Bonds	8,761	851,084	58,234	—
Proceeds of Refunding Bonds	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Operating Transfers In (Note 12)	176,856	161,146	53,776	113,851
Operating Transfers Out (Note 12)	(219,312)	(238,296)	(3,929)	—
Operating Transfers to Component Units (Note 12)	(463,272)	—	—	—
Total Other Financing Sources (Uses)	(496,013)	773,934	108,081	113,851
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	111,898	498,627	(15,246)	(6,423)
Beginning Fund Balances	416,539	210,026	107,164	13,891
Adjustments To Beginning Fund Balances (Note 2)	(485)	—	(53)	99
Beginning Fund Balances as Adjusted	416,054	210,026	107,111	13,990
Residual Equity Transfers (Note 12)	(8,252)	—	—	—
Ending Fund Balances	$ 519,700	$ 708,653	$ 91,865	$ 7,567

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types Expendable Trust	Total (Memorandum Only) June 30, 1998	June 30, 1997
$ —	$ 1,260,033	$ 1,259,961
—	1,377,494	1,237,332
—	196,275	191,991
—	290,086	214,758
—	83,994	64,486
—	43,033	20,811
—	162,968	129,747
0	3,413,883	3,119,086
—	27,816	0
7,397	1,390,145	1,322,575
—	174,228	163,763
—	22,762	24,890
—	33,485	34,111
—	72,366	38,731
81,645	100,394	61,846
110,332	110,332	109,736
—	40,699	3,316
57,509	143,677	188,497
256,883	2,115,904	1,947,465
256,883	5,529,787	5,066,551
12,590	242,620	259,434
20,144	320,454	525,714
—	143,808	136,711
21,996	867,133	833,786
131	18,901	24,036
1,150	89,679	94,600
5,770	48,193	43,569
1,798	74,645	87,854
89,081	374,683	82,038
315	1,676,983	1,651,574
—	1,126,225	669,014
16,402	16,402	0
—	21,565	31,659
—	200,912	182,129
—	75,150	70,190
—	55,925	30,461
169,377	5,353,278	4,722,769
87,506	176,509	343,782
—	954	54,315
—	918,079	20,103
—	0	5,472
—	0	(5,468)
705	506,334	387,782
(13,597)	(475,134)	(361,123)
—	(463,272)	(442,909)
(12,892)	486,961	(341,828)
74,614	663,470	1,954
369,044	1,116,664	1,127,061
171,503	171,064	0
540,547	1,287,728	1,127,061
(2,583)	(10,835)	(12,351)
$ 612,578	$ 1,940,363	$ 1,116,664

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND, SPECIAL REVENUE FUNDS, AND DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Unrestricted:			
Sales Tax	$ 1,280,027	$ 1,251,769	$ (28,258)
Individual Income Tax	—	—	0
Corporate Tax	—	—	0
Motor and Special Fuel Tax	—	—	0
Licenses, Permits, and Fees	15,510	14,431	(1,079)
Investment Income	15,000	15,741	741
Miscellaneous Taxes and Other	147,155	162,483	15,328
Total Unrestricted	1,457,692	1,444,424	(13,268)
Restricted:			
Restricted Sales Tax	9,911	9,911	0
Federal Contracts and Grants	1,055,815	1,055,815	0
Departmental Collections	152,864	152,893	29
Higher Education Dedicated Credits	162,206	162,206	0
Aeronautics	—	—	0
Federal Mineral Lease	31,500	33,485	1,985
Investment Income	11,143	13,227	2,084
Restricted Taxes	12,661	12,661	0
Miscellaneous	213,348	214,174	826
Total Restricted	1,649,448	1,654,372	4,924
Total Revenues	3,107,140	3,098,796	(8,344)
Intrafund Eliminations		(356,729)	
Total Revenues GAAP Basis		2,742,067	
Expenditures:			
Current:			
General Government	246,748	233,598	13,150
Human Services	441,673	434,546	7,127
Corrections	147,012	144,323	2,689
Health and Environmental Quality	903,700	887,566	16,134
Higher Education	643,998	643,343	655
Natural Resources	107,148	91,924	15,224
Business, Labor, and Agriculture	49,307	42,529	6,778
Community and Economic Development	86,515	71,398	15,117
Employment and Family Services	289,714	288,927	787
Public Education	—	—	0
Transportation and Public Safety	89,588	88,137	1,451
Leave/Postemployment Benefits	21,641	21,641	0
Debt Service:			
Principal Retirement	—	—	0
Interest and Other Charges	—	—	0
Total Expenditures	3,027,044	2,947,932	79,112
Higher Education and Trust Appropriated Expenditures Included as Transfers	457,047	(457,047)	
Intrafund Eliminations		(356,729)	
Total Expenditures GAAP Basis		2,134,156	
Excess Revenues Over (Under) Expenditures	537,143	607,911	70,768
Other Financing Sources (Uses):			
Proceeds of Revenue Bonds/Contracts	954	954	0
Proceeds of General Obligation Bonds	8,761	8,761	0
Operating Transfers In (Note 12)	176,856	176,856	0
Operating Transfers Out (Note 12)	(219,312)	(219,312)	0
Operating Transfers to Component Units (Note 12)	(463,272)	(463,272)	0
Total Other Financing Sources (Uses)	(496,013)	(496,013)	0
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	41,130	111,898	70,768
Beginning Fund Balances	416,539	416,539	0
Adjustments to Beginning Fund Balances (Note 2)	(485)	(485)	0
Beginning Fund Balances as Adjusted	416,054	416,054	0
Residual Equity Transfers (Note 12)	(8,252)	(8,252)	0
Ending Fund Balances	$ 448,932	$ 519,700	$ 70,768

The accompanying notes are an integral part of the financial statements.

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 8,677	$ 8,654	$ (23)	$ —	$ —	$ 0
1,323,274	1,377,494	54,220	—	—	0
187,914	196,275	8,361	—	—	0
297,950	290,086	(7,864)	—	—	0
67,292	69,572	2,280	—	—	0
18,041	27,622	9,581	—	—	0
3,304	485	(2,819)	—	—	0
1,906,452	1,970,188	63,736	0	0	0
17,905	17,905	0	—	—	0
345,099	345,099	0	—	—	0
49,917	50,437	520	—	—	0
—	—	0	—	—	0
22,762	22,762	0	—	—	0
—	—	0	—	—	0
51	51	0	502	502	0
28,038	28,038	0	—	—	0
33,597	33,597	0	10,299	10,299	0
497,369	497,889	520	10,801	10,801	0
2,403,821	2,468,077	64,256	10,801	10,801	0
	(25,626)			—	
	2,442,451			10,801	
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
243	243	0	—	—	0
—	—	0	—	—	0
2,684	2,401	283	—	—	0
1,723,208	1,685,714	37,494	—	—	0
1,163,796	1,055,102	108,694	—	—	0
(76)	(76)	0	—	—	0
—	—	0	75,150	75,150	0
—	—	0	55,925	55,925	0
2,889,855	2,743,384	146,471	131,075	131,075	0
	(25,626)			—	
	2,717,758			131,075	
(486,034)	(275,307)	210,727	(120,274)	(120,274)	0
—	—	0	—	—	0
851,084	851,084	0	—	—	0
161,146	161,146	0	113,851	113,851	0
(238,564)	(238,296)	268	—	—	0
—	—	0	—	—	0
773,666	773,934	268	113,851	113,851	0
287,632	498,627	210,995	(6,423)	(6,423)	0
210,026	210,026	0	13,891	13,891	0
—	—	0	99	99	0
210,026	210,026	0	13,990	13,990	0
—	—	0	—	—	0
$ 497,658	$ 708,653	$ 210,995	$ 7,567	$ 7,567	$ 0

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES — ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-expendable Trust
Operating Revenues:			
Investment Earnings	$ 8,633	$ 14,344	$ 29,091
Liquor:			
Sales	102,876	—	—
Licenses, Permits, and Fees	1,026	—	—
Charges for Services/Premiums/Royalties	26,230	294,891	12,547
Interest on Notes/Mortgages	49,238	7,009	—
Federal Reinsurance and Allowances	29,490	—	—
Miscellaneous	582	—	—
Total Operating Revenues	218,075	316,244	41,638
Cost of Goods Sold	74,595	—	—
Gross Profit	143,480	316,244	41,638
Operating Expenses:			
Administration	39,315	30,457	—
Materials and Services for Resale	—	41,120	—
Grants	539	—	—
Payments on Loan Guarantees	22,522	—	—
Rentals and Leases	1,038	3,175	—
Maintenance	482	11,296	—
Interest	32,439	587	—
Depreciation	1,300	17,469	—
Benefit Claims	—	162,840	—
Policyholder Dividends	—	6,254	—
Supplies and Other Miscellaneous	922	33,166	—
Total Operating Expenses	98,557	306,364	0
Total Operating Income (Loss)	44,923	9,880	41,638
Non-Operating Income (Expenses):			
Investment Earnings	1,434	—	—
Federal Grants/Returns	(14,019)	207	—
Gain (Loss) on Sale of Fixed Assets	(5)	193	8,092
Tax Revenues	2,040	9,811	—
Other (Expenses)	—	—	—
Total Non-Operating Income (Expenses)	(10,550)	10,211	8,092
Income (Loss) Before Operating Transfers	34,373	20,091	49,730
Operating Transfers In (Note 12)	61	522	—
Operating Transfers From Primary Government (Note 12)	—	—	—
Operating Transfers Out (Note 12)	(26,706)	(5,077)	—
Net Income (Loss)	7,728	15,536	49,730
Beginning Retained Earnings/Fund Balances	140,415	165,539	132,833
Adjustment to Beginning Retained Earnings/ Fund Balances (Note 2)	341	55	23,699
Beginning Retained Earnings/Fund Balances as Adjusted	140,756	165,594	156,532
Residual Equity Transfers (Note 12)	2,583	—	—
Ending Retained Earnings/Fund Balances	$ 151,067	$ 181,130	$ 206,262

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 1998	June 30, 1997	Units	June 30, 1998	June 30, 1997
$ 52,068	$ 30,630	$ 117,501	$ 169,569	$ 100,192
102,876	95,937	—	102,876	95,937
1,026	768	—	1,026	768
333,668	303,419	119,952	453,620	435,972
56,247	49,931	62,685	118,932	110,869
29,490	26,194	—	29,490	26,194
582	463	2,196	2,778	2,872
575,957	507,342	302,334	878,291	772,804
74,595	68,976	—	74,595	68,976
501,362	438,366	302,334	803,696	703,828
69,772	61,252	29,361	99,133	85,445
41,120	40,818	—	41,120	40,818
539	218	—	539	218
22,522	19,577	—	22,522	19,577
4,213	3,671	—	4,213	3,671
11,778	10,517	541	12,319	11,059
33,026	29,605	65,559	98,585	93,760
18,769	17,822	2,909	21,678	21,415
162,840	160,641	90,503	253,343	269,757
6,254	1,704	40,000	46,254	18,916
34,088	32,198	712	34,800	32,997
404,921	378,023	229,585	634,506	597,633
96,441	60,343	72,749	169,190	106,195
1,434	1,357	637	2,071	1,921
(13,812)	397	70	(13,742)	1,135
8,280	765	—	8,280	765
11,851	1,402	—	11,851	1,402
0	0	(484)	(484)	(694)
7,753	3,921	223	7,976	4,529
104,194	64,264	72,972	177,166	110,724
583	622	—	583	622
0	0	6,270	6,270	2,726
(31,783)	(27,281)	—	(31,783)	(27,281)
72,994	37,605	79,242	152,236	86,791
438,787	400,584	278,412	717,199	629,810
24,095	0	4,258	28,353	0
462,882	400,584	282,670	745,552	629,810
2,583	598	—	2,583	598
$ 538,459	$ 438,787	$ 361,912	$ 900,371	$ 717,199

STATE OF UTAH

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-expendable Trust
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Customers/Loan Interest/Fees/Premiums/Royalties	$ 183,724	$ 185,466	$ 10,993
Receipts from Loan Maturities	116,726	13,091	—
Receipts of Federal Reinsurance and Allowances	31,337	—	—
Receipts from State Customers	8,958	109,936	—
Student Loan Disbursements Received from Lenders	170,981	—	—
Student Loan Disbursements Sent to Schools	(171,101)	—	—
Payments to Suppliers/Claims/Grants	(91,847)	(244,713)	—
Disbursements for Loans Receivable	(174,328)	(22,232)	—
Payments on Loan Guarantees	(23,754)	—	—
Payments for Employee Services and Benefits	(20,862)	(30,144)	—
Payments to State Suppliers	(531)	(9,923)	7
Payments of Sales, School Lunch, and Premium Taxes	(17,378)	—	—
Payments of Policyholder Dividends	—	—	—
Net Cash Provided (Used) by Operating Activities	11,925	1,481	11,000
Cash Flows from Noncapital Financing Activities:			
Borrowings Under Revolving Loans	2,717	7,518	—
Repayments Under Revolving Loans	(3,878)	(16,070)	—
Receipts from Bonds, Notes, Advances, and Deposits	90,900	24,120	—
Payments of Bonds, Notes, Advances, Deposits, and Retained Earnings	(73,470)	(11,160)	—
Interest Paid on Bonds, Notes, and Financing Costs	(34,133)	(604)	—
Other Noncapital Financing Revenues	2,040	8,871	—
Operating Transfers In from Other Funds	61	522	—
Operating Transfers In from Primary Government	—	—	—
Operating Transfers Out to Other Funds	(26,706)	(5,077)	—
Equity Transfers In from Other Funds	2,583	7,258	—
Equity Transfers Out to Other Funds	(878)	(534)	—
Net Cash Provided (Used) by Noncapital Financing Activities	(40,764)	14,844	0
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond and Note Debt Issuance/Grants	5,001	—	—
Proceeds from Disposition of Capital Assets	19	1,841	8,092
Principal Paid on Debt and Contract Maturities	(349)	—	—
Acquisition and Construction of Capital Assets	(8,277)	(23,180)	(237)
Interest Paid on Bonds, Notes, and Capital Leases	(454)	—	—
Contributed Capital Transfers In from Other Funds	2,406	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,654)	(21,339)	7,855
Cash Flows from Investing Activities:			
Proceeds from the Sale and Maturity of Investments	293,787	26,140	6,931
Receipts of Interest and Dividends from Investments	9,573	13,153	52,790
Payments to Purchase Investments	(274,111)	(27,668)	(8,083)
Net Cash Provided (Used) by Investing Activities	29,249	11,625	51,638
Net Increase (Decrease) in Cash and Cash Equivalents	(1,244)	6,611	70,493
Beginning Cash and Cash Equivalents	61,728	97,692	72,008
Ending Cash and Cash Equivalents	$ 60,484	$ 104,303	$ 142,501

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 1998	June 30, 1997	Units	June 30, 1998	June 30, 1997
$ 380,183	$ 351,631	$ 175,457	$ 555,640	$ 543,293
129,817	116,328	188,193	318,010	238,040
31,337	26,155	—	31,337	26,155
118,894	117,436	5,202	124,096	122,119
170,981	156,389	—	170,981	156,389
(171,101)	(156,329)	—	(171,101)	(156,329)
(336,560)	(315,177)	(76,179)	(412,739)	(390,100)
(196,560)	(169,082)	(209,547)	(406,107)	(338,845)
(23,754)	(18,631)	—	(23,754)	(18,631)
(51,006)	(44,289)	(21,505)	(72,511)	(63,511)
(10,447)	(20,329)	—	(10,447)	(20,329)
(17,378)	(16,700)	(9,094)	(26,472)	(24,159)
0	0	(15,203)	(15,203)	(29,789)
24,406	27,402	37,324	61,730	44,303
10,235	40,591	843	11,078	41,026
(19,948)	(33,502)	(163)	(20,111)	(33,580)
115,020	72,795	324,350	439,370	319,840
(84,630)	(22,545)	(270,533)	(355,163)	(369,864)
(34,737)	(30,957)	(65,417)	(100,154)	(109,858)
10,911	2,011	136	11,047	2,933
583	622	—	583	622
0	0	6,270	6,270	2,725
(31,783)	(27,281)	—	(31,783)	(27,281)
9,841	13,456	—	9,841	13,456
(1,412)	(1,857)	—	(1,412)	(1,857)
(25,920)	13,333	(4,514)	(30,434)	(161,838)
5,001	988	—	5,001	988
9,952	8,349	38	9,990	8,483
(349)	(283)	(74)	(423)	(509)
(31,694)	(27,496)	(2,309)	(34,003)	(31,193)
(454)	(280)	(4)	(458)	(299)
2,406	753	—	2,406	753
(15,138)	(17,969)	(2,349)	(17,487)	(21,777)
326,858	325,790	946,046	1,272,904	913,351
75,516	31,642	57,498	133,014	88,015
(309,862)	(315,160)	(994,747)	(1,304,609)	(809,412)
92,512	42,272	8,797	101,309	191,954
75,860	65,038	39,258	115,118	52,642
231,428	166,390	29,251	260,679	208,037
$ 307,288	$ 231,428	$ 68,509	$ 375,797	$ 260,679

Continues

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

Continued

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-expendable Trust
Reconciliation of Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Total Operating Income (Loss)	$ 44,923	$ 9,880	$ 41,638
Adjustments to Reconcile Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Not Requiring Cash	1,300	17,469	—
Provision for Uncollectible Accounts	—	—	—
Interest Expense for Noncapital and Capital Financing	31,828	587	—
Revenue from Non-Operating Investment and Other Activities	(2,884)	(14,365)	(29,091)
Miscellaneous Gains, Losses, and Other Items Not Requiring Cash	2,625	2	—
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable/Due From Other Funds	558	(5,636)	(1,602)
(Increase) Decrease in Accrued Interest/Notes Receivable	(68,068)	(10,084)	48
(Increase) Decrease in Inventories	(849)	196	—
(Increase) Decrease in Prepaid Items	47	(293)	—
(Decrease) Increase in Vouchers Payable/Accrued Liabilities/ Due to Other Funds/Dividends Payable	2,821	2,255	7
(Decrease) Increase in Deferred Revenue/Deposits	(376)	(212)	—
(Decrease) Increase in Policy Claim Liabilities	—	1,357	—
(Decrease) Increase in Notes Payable	—	325	—
Net Cash Provided (Used) by Operating Activities	$ 11,925	$ 1,481	$ 11,000
Noncash Investing, Capital, and Financing Activities:			
Contributed Capital Transfer for Deficit Retained Earnings	$ —	$ —	$ —
Contributed Capital/Operating Assets Transferred In (Out)	5,429	—	—
Total Noncash Investing, Capital, and Financing Activities	$ 5,429	$ 0	$ 0

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

	Trust and Agency	Component Units
Nonexpendable Trust	$ 142,501	$ —
Proprietary Component Units	—	68,509
Other Trust and Agency	892,464	—
Other Component Units	—	46,533
Total Cash and Cash Equivalents per Combined Balance Sheet	$ 1,034,965	$ 115,042

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only) Primary Government June 30, 1998	Total (Memorandum Only) Primary Government June 30, 1997	Proprietary Fund Types Component Units	Total (Memorandum Only) Reporting Entity June 30, 1998	Total (Memorandum Only) Reporting Entity June 30, 1997
$ 96,441	$ 60,343	$ 72,749	$ 169,190	$ 106,195
18,769	17,822	2,909	21,678	21,415
0	0	1,286	1,286	936
32,415	29,593	61,734	94,149	90,511
(46,340)	(25,000)	(115,677)	(162,017)	(94,054)
2,627	1,786	2,247	4,874	3,501
(6,680)	559	518	(6,162)	6,656
(78,104)	(57,911)	(23,201)	(101,305)	(107,792)
(653)	(1,022)	—	(653)	(1,019)
(246)	(503)	(551)	(797)	(1,024)
5,083	319	23,933	29,016	(13,360)
(588)	(154)	(5,591)	(6,179)	(3,805)
1,357	1,570	16,968	18,325	36,143
325	0	—	325	0
$ 24,406	$ 27,402	$ 37,324	$ 61,730	$ 44,303
$ 0	$ 598	$ —	$ 0	$ 598
5,429	(593)	—	5,429	(593)
$ 5,429	$ 5	$ 0	$ 5,429	$ 5

STATE OF UTAH

STATEMENT OF CHANGES IN NET ASSETS
DEFINED BENEFIT PENSION PLANS, OTHER PENSION
TRUST FUNDS, AND INVESTMENT TRUST FUND

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System
Additions:				
Contributions:				
Member	$ 8,546	$ 7,366	$ 4,579	$ 8,359
Employer	10,651	345,294	35,090	3,224
Court Fees and Fire Insurance Premiums	—	—	—	4,552
Pool Participant Deposits	—	—	—	—
Total Contributions and Deposits	19,197	352,660	39,669	16,135
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	—	—	—	—
Allocation of Appreciation (Depreciation) in Fair Value of Investments	104,169	818,013	103,548	44,971
Short-Term Interest	—	—	—	—
Bond Interest	—	—	—	—
Equity Dividends	—	—	—	—
Real Estate	—	—	—	—
Mortgage Loans	—	—	—	—
Securities Lending	—	—	—	—
Investment Contracts	—	—	—	—
Investment Trust Earnings	—	—	—	—
Allocation of Investment Earnings	29,117	229,194	28,942	12,570
Total Investment Income	133,286	1,047,207	132,490	57,541
Less Investment Advisor Fees	—	—	—	—
Less Investment Administrative Expenses	—	—	—	—
Net Investment Income	133,286	1,047,207	132,490	57,541
Total Additions	152,483	1,399,867	172,159	73,676
Deductions:				
Retirement Benefits	39,784	159,169	25,741	10,836
Cost of Living Benefits	20,085	27,093	4,347	2,510
Additional Retirement Benefits	4,015	—	884	975
Refunds	56,701	5,388	800	395
Earnings Distribution	—	—	—	—
Administrative Expenses	794	6,323	792	331
Pool Participant Withdrawals	—	—	—	—
Total Deductions	121,379	197,973	32,564	15,047
Net Increase (Decrease) From Operations	31,104	1,201,894	139,595	58,629
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — Beginning of Year	912,390	6,510,470	831,262	362,555
Adjustment to Beginning of Year (Note 2)	—	—	—	—
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — Beginning of Year as Adjusted	912,390	6,510,470	831,262	362,555
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — End of Year	$ 943,494	$ 7,712,364	$ 970,857	$ 421,184

The accompanying notes are an integral part of the financial statements.

Judges System	Governors and Legislative Pension Plan	Deferred Compensation 401(k) Plan	Retirement Investment Fund	Public Treasurer's Investment Fund
$ 701	$ —	$ 115,606	$ —	$ —
1,840	15	—	—	—
1,901	—	—	—	—
—	—	—	—	3,606,335
4,442	15	115,606	0	3,606,335
—	—	77,963	1,083,288	1,454
6,982	1,157	—	(1,078,840)	—
—	—	145	25,344	—
—	—	—	146,396	—
—	—	22,914	77,071	—
—	—	—	68,058	—
—	—	—	378	—
—	—	—	2,703	—
—	—	17,624	—	—
—	—	—	—	139,326
1,951	324	—	(302,098)	—
8,933	1,481	118,646	22,300	140,780
—	—	412	13,253	—
—	—	—	1,926	135
8,933	1,481	118,234	7,121	140,645
13,375	1,496	233,840	7,121	3,746,980
2,216	399	—	—	—
474	120	—	—	—
—	—	—	—	—
88	1	44,746	—	—
—	—	—	1,582	137,250
55	6	1,446	—	—
—	—	—	—	3,326,851
2,833	526	46,192	1,582	3,464,101
10,542	970	187,648	5,539	282,879
55,757	9,561	615,343	34,512	1,965,142
—	—	—	—	(1,413)
55,757	9,561	615,343	34,512	1,963,729
$ 66,299	$ 10,531	$ 802,991	$ 40,051	$ 2,246,608

STATE OF UTAH

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 1998 and 1997 (Expressed in Thousands)

	June 30, 1998	June 30, 1997
Revenues and Other Additions:		
Unrestricted Educational and General Revenues	$ 474,774	$ 448,121
Auxiliary Enterprises Revenues	121,439	119,714
Hospital Sales and Services	293,332	279,913
Foundations and Institutes	107,562	86,762
Tuition and Fees — Restricted	25,732	24,330
Private Gifts, Grants, and Contracts	174,664	129,879
Governmental Grants and Contracts	331,892	342,114
Federal Appropriations	4,168	3,866
Investment and Endowment Income	65,110	27,634
Interest on Loans Receivable	1,640	1,210
Expended for Plant Facilities (including $63,782 from current funds)	250,601	176,956
Bond Proceeds	6,600	247
Retirement of Indebtedness (including $282 from current funds)	42,218	14,333
Other	13,126	11,163
Total Revenues and Other Additions	1,912,858	1,666,242
Expenditures and Other Deductions:		
Educational and General Expenditures	1,266,173	1,180,226
Auxiliary Enterprises Expenditures	122,276	120,820
Hospital Expenditures	284,629	254,538
Foundations and Institutes	91,667	74,238
Indirect Costs Recovered	48,526	45,519
Refunded to Grantors	47	13
Loan Cancellations and Write-Offs	850	829
Administrative and Collection Costs	111	395
Expended for Plant Facilities (including noncapitalized expenditures of $5,973)	192,792	124,625
Retirement of Indebtedness	41,936	14,025
Interest on Indebtedness	10,700	9,455
Increase in Debt	275	1,456
Disposal of Plant Facilities	31,767	70,406
Other	11,382	1,072
Total Expenditures and Other Deductions	2,103,131	1,897,617
Transfers Among Funds:		
Operating Transfers In from Primary Government (Note 12)	457,002	440,183
Net Increase (Decrease) in Fund Balances	266,729	208,808
Beginning Fund Balances	2,924,145	2,715,337
Adjustments to Beginning Fund Balances (Note 2)	49,160	—
Adjusted Beginning Fund Balances	2,973,305	2,715,337
Ending Fund Balances	$ 3,240,034	$ 2,924,145

The accompanying notes are an integral part of the financial statements.

STATE OF UTAH

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Total	Total	Total Current Funds	
	Unrestricted	Restricted	June 30, 1998	June 30, 1997
Revenues:				
Educational and General:				
Tuition and Fees	$ 202,338	$ 15,305	$ 217,643	$ 202,731
Federal Appropriations	—	3,786	3,786	3,765
Governmental Grants and Contracts	51,347	233,161	284,508	263,326
Private Gifts, Grants, and Contracts	2,334	92,902	95,236	81,627
Investment and Endowment Income	21,531	14,770	36,301	32,764
Sales and Services of Educational Departments	189,490	1,309	190,799	185,223
Other	7,734	8,514	16,248	15,599
Total Educational and General Revenues	474,774	369,747	844,521	785,035
Hospital Sales and Services	293,332	—	293,332	279,913
Auxiliary Enterprises Revenues	121,439	—	121,439	119,714
Total Revenues	889,545	369,747	1,259,292	1,184,662
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	323,176	62,356	385,532	369,610
Research	31,279	180,105	211,384	191,303
Public Service	153,967	81,105	235,072	216,247
Academic Support	82,433	19,730	102,163	92,686
Student Services	53,829	11,953	65,782	60,846
Institution Support	101,399	8,990	110,389	102,460
Operation and Maintenance of Plant	72,124	4,141	76,265	72,843
Student Aid	22,527	57,833	80,360	74,061
Total Educational and General Expenditures	840,734	426,213	1,266,947	1,180,056
Hospital Expenditures	284,474	155	284,629	254,538
Auxiliary Enterprises Expenditures	120,541	1,735	122,276	120,820
Mandatory Transfers, net Out (In)	26,004	(1,532)	24,472	21,345
Total Expenditures and Mandatory Transfers	1,271,753	426,571	1,698,324	1,576,759
Other Transfers and Additions (Deductions):				
Excess of Restricted Receipts Over (Under) Transfers to Revenues	—	10,115	10,115	24,121
Refunded to Grantors	—	(46)	(46)	(12)
Nonmandatory Transfers, net	(19,628)	(8,236)	(27,864)	(30,990)
Operating Transfers from Primary Government (Note 12)	398,642	58,360	457,002	440,183
Other	(6)	(225)	(231)	(864)
Total Other Transfers and Additions	379,008	59,968	438,976	432,438
Net Increase (Decrease) in Fund Balances	$ (3,200)	$ 3,144	$ (56)	$ 40,341

The accompanying notes are an integral part of the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Utah have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1998, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Utah State Legislature and/or Constitutional Officers of the State of Utah.

A. **Reporting Entity**

For financial reporting purposes, the State of Utah has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The State has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by generally accepted accounting principles, these financial statements include the State of Utah (Primary Government) and its component units. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capital, Salt Lake City, UT 84114.

The following state agencies and funds had separately issued financial statements and were audited by the Utah State Auditor's Office, or by other independent auditors:

- Applied Technology Centers (Special Revenue Fund) — There are five applied technology centers in the State which offer vocational education in various subjects. They are: Bridgerland, Davis, Ogden-Weber, Sevier Valley, and Uintah Basin. The Centers receive annual state appropriations for their operations and are included as an integral part of the Uniform School Fund. The individual Centers were audited by other independent auditors, and individual reports, dated from August 20, 1998, to September 24, 1998, have been previously issued under separate cover.

- Student Assistance Programs (Enterprise Fund) — This fund presents combined information from two student assistance programs: the Higher Education Assistance Authority, which guarantees repayment of eligible student loans; and the State Board of Regents Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances. Both programs are administered by the State Board of Regents. The Regents are appointed by the Governor, subject to Senate approval. The Board of Regent's operations and administrative expenses are subject to legislative and executive control. Their reports, dated September 11, 1998, have been previously issued under separate cover.

- Utah Dairy Commission (Enterprise Fund) — The Commission is an independent state agency which promotes and advertises dairy products. It also conducts research and provides nutritional education about dairy products. The Commission's voting membership is comprised of representatives from the dairy industry, and its funding is from an assessment imposed on all milk produced and sold through commercial channels in the State. The Commission was audited by other independent auditors for the period ended December 31, 1997, and their report, dated June 11, 1998, has been previously issued under separate cover.

- Utah Public Employees Group Insurance (Internal Service Fund) — This fund provides health and life insurance and is financed by employee and employer contributions from the State and other participating political subdivisions. The Fund is administered by the State Retirement Office, which is subject to legislative and executive control. The Fund was audited by other independent auditors and their report, dated August 28, 1998, has been previously issued under separate cover.

- Utah State Retirement Office (Pension Trust Funds) — The State Retirement Office administers pension funds for various public employee retirement systems of the State and its political subdivisions. The Office is subject to state legislative and executive controls. The Governor, with Senate approval, appoints the Administrative Board. The administrative expenses are subject to legislative budget controls. The funds were audited by other independent auditors for the period ended December 31, 1997, and their report, dated February 27, 1998, has been previously issued under separate cover.

Blended Component Units

Blended component units are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

- Utah State Building Ownership Authority (various fund types and account groups) — The Utah State Building Ownership Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing, operating, or encumbering facilities to meet the needs of state government. It is comprised of seven members who are appointed by the Governor.

Discrete Component Units

Discrete component units are entities which are legally separate from the State but which are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units columns of the combined financial statements include the financial data of these entities.

- Utah Housing Finance Agency (Proprietary Fund Type) — This agency is a body politic and corporate, composed of nine members. Three of the members are state officials and six members are citizens appointed by the Governor. The Agency issues bonds to provide capital for housing and home mortgages, especially for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees. Their report, dated September 3, 1998, has been previously issued under separate cover.

- Workers' Compensation Fund of Utah (Proprietary Fund Type) — The Workers' Compensation Fund is a nonprofit quasi-governmental corporation. It provides workers' compensation insurance to private and public employers and is financed through member (employer) premiums. The Fund is governed by a board of directors appointed by the Governor. Administrative operations and budgets are reviewed by the Governor and Legislature. The Fund is reported for the period ended December 31, 1997, and was audited by other independent auditors. Their report, dated February 24, 1998, has been previously issued under separate cover.

- Utah Technology Finance Corporation (Proprietary Fund Type) — This is a nonprofit organization which encourages and assists in the development, promotion, and growth of technological and small businesses throughout the State. The Corporation receives state appropriations for working capital. The board of trustees is appointed by the Governor and approved by the Senate. Their report, dated August 28, 1998, has been previously issued under separate cover.

- Comprehensive Health Insurance Pool (Proprietary Fund Type) — The Pool is a nonprofit quasi-governmental entity established within the State Insurance Department. It provides access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Pool is governed by a board which is appointed by the Governor with the advice and consent of the Senate. The Pool is reported for the period ended December 31, 1997, and their report, dated April 10, 1998, has been previously issued under separate cover.

- Heber Valley Historic Railroad Authority (Proprietary Fund Type) — The Authority is an independent state agency which maintains and operates a scenic and historic railroad in and around the Heber Valley. The Authority consists of three members appointed by the Governor and approved by the Senate; the executive director of the Department of Transportation, and three local government officials from the Heber Valley. Their compilation report, dated September 16, 1998, has been previously issued under separate cover.

- Utah Science Center Authority (Proprietary Fund Type) — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities in order to further the welfare of the citizens of the State and its economic growth. The Authority consists of six members appointed by the Governor with consent of the Senate; and one member each from the State Board of Regents, the State Board of Education, Salt Lake City Corporation, Salt Lake County legislative body, State Department of Community and Economic Development, the Board of Travel Development, and three members from the Hansen Planetarium Board. The Authority's activity through June 30, 1998, is included in this report.

- Utah State Fair Corporation (Proprietary Fund Type) — This is a nonprofit public corporation created by the Legislature on July 1, 1995; the functions were previously accounted for in the Department of Community and Economic Development. The Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It is governed by a board of directors appointed by the Governor and approved by the Senate. It receives state appropriations for operations and working capital. Their report, dated August 21, 1998, has been previously issued under separate cover.

- Colleges and Universities (College and University Funds) — The University of Utah, Utah State University, Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley State College, Dixie College, College of Eastern Utah, and Snow College are individually presented in the College and University funds. Each college and university is governed by a board of trustees. Each board of trustees is comprised of individuals appointed by the Governor and approved by the Senate; the president of the institution's alumni association; and the president of the institution's associated students. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. The colleges and universities were audited by the State Auditor or other independent auditors, and individual reports, dated from September 23, 1998, to October 22, 1998, have been previously issued under separate cover.

Entities such as the local school districts and local authorities of various kinds which may meet only one of the criteria for inclusion in this report, have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a Special Revenue Fund.)

B. **Fund Accounting**

Financial activities are recorded in individual funds classified by type, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, fund balances, equities, revenues, expenses, and expenditures.

The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Utah are classified in three fund categories, two account groups, and component units, as described below. The fund categories include governmental funds, proprietary funds, and fiduciary funds. Account groups are composed of general fixed assets and general long-term obligations.

1. The State's governmental funds are used to account for the State's general activities and include:

   The General Fund is the principal operating fund of the State. It is used to account for all financial resources which are not accounted for in other funds. The services accounted for in the General Fund include: general government, public safety, judicial, corrections, public health and welfare, business licensing and regulation, and higher education. Resources obtained from federal grants and used for services provided by General Fund entities, consistent with applicable legal requirements, are recorded in the General Fund.

   The Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and Consumer Education Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds include transactions related to the Offices of Education and Rehabilitation, the Department of Transportation, the Utah Sports Authority, and the Department of Commerce Securities Division and Consumer Protection Division.

   The Capital Projects Fund accounts for resources obtained and used for the acquisition, construction, or improvement of certain capital facilities (except those financed by proprietary funds). Such resources are derived principally from proceeds of general obligation bond issues, revenue bonds, and operating transfers from the State's General Fund. The State enters into long-term contracts for the construction of major capital projects and records the commitments as encumbrances. (See Note 6.)

   The Debt Service Fund accounts for resources obtained and used for the payment of interest and principal on general long-term debt obligations and on general revenue bonds which are funded from general governmental fund operations.

2. The proprietary funds include:

   The Enterprise Funds account for operations similar to a private business enterprise. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The intent of the State is that the cost of providing the goods or services to the general public on a continuing basis should be financed primarily through user charges.

   The Internal Service Funds are a variety of independent operations that provide goods and/or services to other state departments or other political subdivisions on a cost reimbursement basis. The largest funds are the Water Resources, Employees Group Insurance, and Permanent Community Impact Loan Funds. The Water Resources Loan Fund provides loans to local governments, water districts, and other entities for upgrading water storage facilities and related structures. The Employees Group Insurance Fund offers several health insurance programs to state and local government employees. The Community Impact Loan Fund provides loans to local governments to alleviate social, economic, and public financial impacts resulting from the development of the State's natural

- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments of interest to be made early in the following year.

The accounts of the Enterprise, Internal Service, Nonexpendable Trust, Pension Trust, Investment Trust Fund, and Proprietary Type Component Unit Funds are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The following proprietary funds apply all Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in the accounting and reporting of their operations: Enterprise Funds — Alcoholic Beverage Control, Utah Correctional Industries, State Trust Lands Administration, Agriculture Loan Fund, Utah Dairy Commission, Clean Fuels Vehicle Loan Fund, Petroleum Storage Tank Loan Fund, Waste Tire Recycling Loan Fund, and Revitalization Programs; Internal Service Funds — Water Resources Loan Fund, Information Technology Fund, Community Impact Loan Fund, General Services Fund, Fleet Operations, Human Services/Internal Service Fund, Office of Education/Internal Service Fund, Natural Resources/Internal Service Fund, Risk Management Fund, Property Management Fund, and State Debt Collection; Component Units — Housing Finance Agency, Comprehensive Health Insurance Pool, Utah Science Center Authority, and Utah State Fair Corporation.

The following proprietary funds apply all GASB pronouncements and all applicable FASB pronouncements in the accounting and reporting of their operations: Enterprise Funds — Student Assistance Programs; Internal Service Funds — Employees Group Insurance Fund; Component Units — Workers' Compensation Fund, Technology Finance Corporation, and Heber Valley Historic Railroad Authority.

The Component Unit College and University Funds are accounted for on the accrual basis of accounting, with the following exceptions:

- Depreciation expense related to plant fund assets is not recorded.

- Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

The presentation of component units is not meant to be a consolidation since transactions within the state entity have not been eliminated, nor have fixed assets or long-term debt been reported in the applicable state account groups. However, appropriations to the component units are recorded as operating transfers out of the General Fund and as operating transfers into the component unit organization.

D. Budgeting and Budgetary Control

The state budgets are adopted on the modified accrual basis of accounting except for certain intrafund revenues and expenditures that are recognized for budgetary purposes. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, includes this variation from GAAP and is, therefore, prepared on a budgetary basis. The total variance from GAAP consists of the elimination of the intrafund activity and appropriations to colleges and universities which are identified in the combined statement mentioned above.

The Legislature enacts annual budgets for the General Fund, Special Revenue Funds, and the Debt Service Fund through passage of the *Appropriations Act.* Capital Projects Fund appropriations are for projects that may extend over several fiscal years.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by the *Appropriations Act*, or by limited encumbrances.

Legal Compliance — Budgets

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January and February, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the resources. Grants authorized by the Permanent Community Impact Fund Board amounting to $9.677 million were transferred to and expended in the General Fund during the year. Also the Risk Management Fund provides a broad range of property and liability insurance coverage to most state agencies and to several voluntarily participating school districts.

3. The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals, other governmental units, or other funds. Fiduciary funds are comprised of:

   The Pension Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Retirement Systems.

   The Investment Trust Fund is used to account for the investments related to external participants in the Utah State Public Treasurer's Investment Fund.

   The Nonexpendable Trust Fund accounts for the transactions, assets, liabilities, and fund equity of the School and Institutional Trust Lands. The Trust Lands Fund was created from the federal *Enabling Act* land grants and the sale of such lands. The Fund's principal is nonexpendable, whereas the earnings on the principal are used to increase the Fund's principal and to support education in the State.

   The Expendable Trust Funds account for assets received and expended by the State as trustee, and include the following funds: Unemployment Compensation Trust, Deferred Compensation 457 Plan, Employers' Reinsurance Trust, Utah Navajo Trust, and miscellaneous small deposits and trusts held in a trustee capacity that are consolidated into the Restricted Trust Fund.

   The Agency Funds account for assets held by the State as an agent for other governmental units, other organizations, or individuals.

4. Account groups consist of the following:

   The General Fixed Assets Account Group is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the Pension Trust Funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

   The General Long-Term Obligation Account Group accounts for the State's unmatured long-term obligations related to general obligation bonds, revenue bonds, and capital lease obligations. Long-term obligations of the proprietary funds, trust funds, and the college and university funds are accounted for in their respective funds.

5. The component units include College and University Funds and other proprietary type organizations which are legally separate from the State but are considered part of the reporting entity. The presentation of the underlying fund types of the individual component units reported in the discrete columns are available from each respective component unit's separately issued financial statements.

C. **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

The nonexpendable trust fund, pension trust funds, and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental funds, expendable trust funds, and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and when available to finance operations during the year or to liquidate liabilities existing at the end of the year. Principal revenue sources susceptible to accrual under the modified accrual basis of accounting include: sales taxes, income taxes, other taxpayer-assessed taxes, federal revenues, departmental collections, and investment income. Expenditures are recorded when the fund liabilities are incurred. Modifications to the accrual basis of accounting include:

- Inventories of materials and supplies in the General Fund and Special Revenue Funds are recorded as expenditures when purchased, except for the following which are recorded as expenditures when consumed: food stamp inventories in the General Fund, inventories of applied technology centers in the Uniform School Fund (Special Revenue Funds), and inventories in the Transportation Fund (Special Revenue Funds).

- Prepaid expenses are not recorded.

budget must be approved by the Legislature in a supplemental appropriation. During the fiscal year, supplemental appropriations of $28.718 million were provided to enhance various programs. The supplemental appropriations were possible because of increases in unrestricted revenue and unreserved fund balances from prior years.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved by the Legislature, the department must cover the overspending with the subsequent year's budget. The State Courts Administrator's budget for juror and witness fees was overexpended by $155 thousand and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is used in the Capital Projects Fund as detailed in Note 6. Generally, state law prohibits the use of current fiscal year appropriations to cover outstanding encumbrances at fiscal yearend in the General Fund or Special Revenue Funds. However, the one exception to this rule is if a purchase order for equipment is issued prior to May 1 and delivery is expected, but unfulfilled, by June 30. If these conditions are met, the outstanding encumbrance can be carried as a nonlapsing appropriation.

These nonlapsing appropriations for qualified outstanding encumbrances at fiscal yearend are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

All other encumbrances outstanding at fiscal yearend may be canceled or may be re-encumbered and honored with subsequent year appropriations.

E. **Cash and Cash Equivalents and Investments**

Cash and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953*, as amended. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Pension Trust Funds, Deferred Compensation 457 Plan (Expendable Trust Fund), Workers' Compensation Fund, Utah Housing Finance Agency, and Utah Public Employees Group Insurance are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Funds are invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- Cash and Cash Equivalents — Cash equivalents are reported at fair value. All interest revenue is allocated to the General Fund unless state law or trust agreements require allocations of interest to other funds. Funds authorized to receive interest earnings are segregated into separate investment pools, and interest is allocated based on cash balances in the pool.

  Cash and Cash Equivalents, as reported on the balance sheet, are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer by state entities is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments.

  Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Loan Purchase Program (Enterprise Fund) uses a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by their trustee as investments. Utah Housing Finance Agency (Component Units – Proprietary Funds) considers only cash deposits, including certificates of deposits with maturities generally less than 90 days, to be cash equivalents.

- Investments, as reported on the balance sheet, include investments which are not considered cash equivalents. These investments may be restricted by law or other legal instruments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law. Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments. Investments held as security deposits which are not held for investment purposes are carried at cost. The Utah Retirement System (Trust and Agency Funds) mortgages are valued on an amortized cost basis which approximates market or fair value, and the fair value of real estate investments has been estimated based on independent appraisals.

The State Unemployment Insurance Trust Fund moneys are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund which is not registered with the SEC. The balance in this pool is on a fair value basis.

The investments for College and University Funds (Component Unit) include $7.831 million of revenue bonds issued by the Utah Housing Finance Agency (Component Unit) and $9 thousand of revenue bonds issued by other colleges and universities. The investments for the Workers' Compensation Fund include $1.884 million of revenue bonds issued by the Colleges and Universities and $5.457 million of revenue bonds issued by the Utah Housing Finance Agency. The investments for component units include $226.150 million managed in the primary government's Public Treasurer's Investment Fund.

- Colleges and Universities — Certain funds are held in trust by external fiscal agents, selected by the donors. The agents distribute net income earned by such funds to the college or university named as beneficiary, where it is recorded as revenue when received. These funds are not recorded on the financial records of the college or university. The fair value of funds held in trust at June 30, 1998, was $49.973 million.

F. **Receivables**

- Accounts Receivable in the governmental fund types consist mainly of amounts due from the federal government where collection is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts included in the Unemployment Compensation Expendable Trust Fund consist largely of delinquent employer contributions and benefit overpayments, and are shown net of an allowance for doubtful accounts of $4.294 million. Pension Trust Funds receivables consist of amounts due on investment contracts and on employee and employer contributions. Collection of these receivables is reasonably assured; therefore, no allowance for uncollectible accounts has been established.

- Accounts Receivable and Notes Receivable reported in the College and University Funds (Component Units) are shown net of an allowance for doubtful accounts of $34.355 million and $957 thousand, respectively. Gifts and pledges are recognized when collected. It is not practical to estimate the net realizable value of these amounts prior to collection. Uncollected pledges at June 30, 1998, were $120.745 million, of which $28.537 million is due within one year and $92.208 million is due thereafter. Accounts Receivable in the Workers' Compensation Fund (Component Units) consist of premiums in the course of being collected, and are shown net of an allowance for doubtful accounts of $2.723 million.

- Notes/Mortgages Receivable are primarily long-term loans for local governments and agricultural development, home mortgages, and individual student loans. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are noninterest bearing. Student loans in the Student Assistance Programs of the Enterprise Funds are fixed and variable rate federally insured loans. Student loans are insured at 98 percent of their principal balance and, accordingly, an allowance of $1.303 million has been made for potential loan losses. Loans receivable in Utah Technology Finance Corporation are reported net of a provision for loan losses of $2.133 million. Mortgages receivable of the Utah Housing Finance Agency are insured against loss or are guaranteed by private mortgage companies or governmental agencies. Because of these guarantees, no provisions for possible loan losses have been provided.

- Accrued Taxes are receivables for taxpayer-assessed taxes for the reporting period ending June 30 which are due to the State by July 31 and paid shortly thereafter. At June 30, 1998 the receivable decreased $562 thousand in the Transportation Fund (Special Revenue Fund), causing a negative revenue on the operating statements in Restricted Taxes.

- Receivables Unbilled represent an amount equal to costs incurred by the Department of Transportation on highway construction projects which are eligible for reimbursement from the federal government upon modification of the related project contracts. When federal funds are available for recovery of the costs, the receivables will be billed.

G. **Advances to Other Funds**

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

H. **Inter/Intrafund Transactions**

Interfund Transactions — The composition of the State's interfund receivables and payables at June 30, 1998, is presented in Note 5. The State has three types of interfund transactions, as follows:

- Services rendered and employee benefit contributions — These transactions are accounted for as revenues, expenditures, or expenses in the funds involved.

- Operating appropriations/subsidies — These are accounted for as operating transfers in the funds involved.

- Equity and working capital contributions — These are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund retained earnings or contributed capital).

Intrafund Transactions — Intrafund transactions, as a result of contracts between departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. However, in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, intrafund revenues and expenditures have been eliminated. The amount of the eliminations by fund is reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

I. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Proprietary funds and College and University Funds inventories are valued at the lower of cost or market. Methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased except for the following which are recorded as expenditures when consumed: inventories for the Transportation Fund; inventories for applied technology centers in the Uniform School Fund; and food stamps coupon inventories in the General Fund. Transportation Fund inventories are valued using a weighted average cost. Applied technology center inventories are valued at cost, average cost, or lower of cost or market, using FIFO and retail methods. Food stamps are valued at coupon value and any unexpended balances at fiscal yearend are also reported as deferred revenues.

J. Fixed Assets

Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Interest expense for fixed asset construction in the Enterprise Funds and in some colleges and universities is capitalized. All other interest expense incurred during construction of capital facilities is considered immaterial and is not capitalized. Public domain (“infrastructure”) general fixed assets are normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not capitalized by the primary government or its proprietary fund type component units. Colleges and universities capitalize infrastructures as buildings and improvements.

- Land is stated at cost or estimated cost at the time of acquisition. Donated land is valued at its estimated fair market value at the donation date. The majority of land in the Nonexpendable Trust Fund was acquired under the federal *Enabling Act of 1894*. At June 30, 1998, the total land held by the trust fund is 3.714 million acres, and the majority of this land is included for reporting purposes at the assigned value of approximately one dollar per acre. The University of Utah (College and University Funds) has valued all land acquired through federal grants at three thousand dollars per acre.
- Buildings and other fixed assets are recorded at historical cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.
- Assets in the General Fixed Assets Account Group and in the College and University Funds – Plant Funds are not depreciated. Foundations and institutes’ assets, which are included in the College and University Funds, are stated net of accumulated depreciation of $9.938 million. Buildings and equipment in the foundations and institutes, and proprietary and fiduciary fund types are depreciated on a straight-line basis over their estimated useful lives, which extends to 40 years on buildings and 3 to 12 years on equipment. Automotive equipment in the Internal Service Funds is depreciated using a straight-line basis over an estimated life of 5 years.

K. Deferred Charges

The amounts reported as deferred charges represent issuance costs on bonds amortized over the life of the issue using the bonds-outstanding method or straight-line method, which approximates the interest method.

L. Accrued Liabilities

Accrued liabilities include the liability for employee payrolls and liabilities accruing over time where demand for payment is due shortly after fiscal yearend. It also includes an estimate of the State’s liability in a lawsuit with the federal retirees. Interest accrued on general long-term debt due shortly after fiscal yearend is also reported in the Debt Service Fund as accrued liabilities.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments to the federal government at least once every five years over the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations. In the Debt Service Fund and the Housing Finance Agency Fund (Component Unit), the arbitrage liability is treated as a reduction of interest revenues. At June 30, 1998, the State's total estimated arbitrage rebate liabilities in these funds were $2.52 million and $3.2 million, respectively. In the Student Assistance Programs Fund (Enterprise Fund), the arbitrage liability is treated as a current expense. At June 30, 1998, the total estimated arbitrage rebate liability in this fund was $10.7 million, of which $8.2 million represents yield reduction payments.

M. Deferred Revenue

Deferred revenue is principally federal funds received in advance of the authorized expenditure. Special Revenue Funds' deferred revenues include amounts expended by the Transportation Fund on federally participating construction projects which are eligible for reimbursement but for which the funds are not available until a modified project agreement is submitted. These amounts will be billed to the federal government and recorded as revenue in future periods as funds become available. College and University Funds' deferred revenue consists primarily of summer school tuition and fees which will be recognized during the next fiscal year. Deferred revenue for the Student Assistance Programs Fund (Enterprise Fund) is primarily guarantee fees which are recognized as income over a period of ten years using the sum-of-the-years-digits method.

N. Contractor Retention

Construction contracts awarded by the Department of Transportation (Special Revenue Fund) and those in the Capital Projects Fund usually include provisions to withhold a percentage of the payments until the project reaches a certain stage of completion. Utah law allows the departments to deposit these funds in an escrow account at the contractor's trustee bank at the time the expenditure is recognized. The State controls only the release of these funds; the assets in the accounts are considered the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in the financial statements in either the Transportation Fund or the Capital Projects Fund. At June 30, 1998, $12.627 million from the Department of Transportation and $7.488 million from the Capital Projects Fund were being held in contractor escrow accounts.

O. Policy Claim Liabilities

The liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates.

P. Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants in governmental and college and university funds are recorded as revenues when the related expenditures are incurred.

Federal grants include nonmonetary transactions for food and other commodities and for food stamps. Unexpended balances of food stamps at fiscal yearend are reported in the General Fund as inventory and deferred revenue. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 1998, the State reported revenue and expenditures of $53.147 million for food stamps and $3.603 million for commodities in the General Fund, and $8.295 million for commodities in the Uniform School Fund (Special Revenue Fund).

Q. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method. Bond discounts in the College and University Funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

R. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants, contributions from the public, or working capital transfers from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

S. Retirement and Employee Benefit Costs

Most state employees participate in the State Retirement Systems. Contributions collected for the State Retirement Systems and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security benefits in governmental fund types are reported as personnel service expenditures in the appropriate fund. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

T. Compensated Absences

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of six hours every two weeks after ten years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year. Vacation leave is expended when earned.

Employees earn sick leave at a rate of four hours for each two week period, with no limit to the amount that can be accumulated. The State does not reimburse employees for unused sick leave upon termination except employees eligible for retirement. Sick leave is expended when used. At retirement, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. An estimate of the liability for this retirement benefit has been recorded in the operating funds of the State.

In fiscal year 1994, the State implemented compensated absences and postemployment benefit pools within the General Fund and Special Revenue Funds. The pools hold assets to fully fund the liability for vacation leave and postemployment benefits. The pools' liabilities were funded with a one-time increase in fund equity from the accrual of taxpayer-assessed taxes. The pool is also funded with an accrual of the federal receivables for the federal share of the liability. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools.

The General Fund and Special Revenue Funds account for their liability for compensated absences and postemployment benefits within their own funds. Certain proprietary funds and expendable trust funds of the primary government have transferred their liability for vacation leave and postemployment benefits, along with related assets to fund the liability, to the General Fund Compensated Absences and Postemployment Benefit Pool. In fiscal year 1998 the new Department of Workforce Services consolidated with the Department of Employment Security. As a result, the federal liability for employment security was moved into the General Fund Compensated Absences and Postemployment Benefit pool. The federal share of the liability for compensated absences and postemployment benefits was funded with an accrual of federal receivables.

The total liability for vacation leave and postemployment benefits at June 30, 1998, was $202.759 million, of which $156.792 million was reported in the General Fund, $17.084 million was reported in the Uniform School Fund, and $28.883 million was reported in the Transportation Fund.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. Compensatory time is expended when earned.

College and universities' vacation and sick leave earnings policies vary slightly among institutions and from the above. Vacation leave is expended when earned and sick leave is expended when used. At June 30, 1998, the total liability for unused vacation leave in the College and University Funds was $33.980 million.

U. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary funds, trust funds, and college and university funds operations are accounted for in those funds. The amounts reported in the Combined Balance Sheet for the General Long-Term Obligation Account Group include: $1.202 billion general obligation bonds, which will be paid from the General Fund and Special Revenue Fund appropriations as the bonds mature; $209.18 million building lease revenue bonds, which will be repaid from rent payments from state agencies; $6.395 million revolving loan revenue bonds, which are secured by notes receivable in the General Fund's Water Security Enhancement Revolving Loan Programs and will be paid from the collection of loans receivable; and $29.431 million of obligations under capital lease commitments. (See Notes 7 and 8.)

V. Totals (Memorandum Only)

Total columns (Memorandum Only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the primary government and all of its component units.

NOTE 2. BEGINNING FUND BALANCE/EQUITY ADJUSTMENTS AND OTHER CHANGES

Beginning Fund Balance/Equity Adjustments

Statement 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* was implemented for all reporting entities except for Workers' Compensation Fund (Component Unit) which is reported for the period ended December 31, 1997. This statement requires that governments value and report applicable investments at fair value in the various balance sheets; it also requires that the changes in fair value of investments be reported in the various operating statements. The cumulative effect of valuing investments at fair value is reported as an adjustment to beginning fund balances and retained earnings resulting in an increase of $22.244 million for all primary government funds and an increase of $53.418 million for all component units. Information was not available to restate prior periods. The standard also requires that external investment pools be reported as investment trust funds. The State Treasurer's Investment Pool, which was previously reported as an agency fund, is now reported as an investment trust fund.

The State implemented Statement 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* in fiscal year 1998. The Utah State Retirement Office's administered 457 Plan complied with the requirements of IRC Section 457, subsection (g) prior to June 30, 1998. GASB Statement 32 requires that 457 plans which meet the applicable criteria for inclusion in the government's fiduciary funds be reported as an expendable trust fund. This resulted in an adjustment to beginning fund balance in the Deferred Compensation Plans Expendable Trust Fund of $171.502 million, of which $1.922 million previously reported in college and universities, component units; and $169.58 million was a deduction in the Salary Deferral 457 Plan Agency Fund.

Statement 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* was not implemented for outside 457 plans held by colleges and universities component units and the State of Utah Office of Education. These outside 457 plans are not held in a trustee capacity and there is no fiduciary accountability. These plans were not amended to comply with the requirements of IRC Section 457, subsection (g) until after June 30, 1998. The amounts for these plans are still reported as deferred compensation plan assets in the college and university component units and agency funds.

Transfer of Funds

The Federal Employees' Settlement Fund (Special Revenue) was terminated on July 1, 1997. The fund had no fund balance. The assets and offsetting liabilities were transferred to the General Fund.

The 1997 Legislature required the School and Institutional Trust Lands Administration to reclassify its management operations from a restricted expendable trust fund to an enterprise fund. This resulted in the transfer of $2.583 million in current assets and $2.583 million of fund equity to the State Trust Lands Administration enterprise fund. Fixed assets with a cost of $5.601 million which were previously reported in the general fixed assets account group were also transferred to the State Trust Lands Administration enterprise fund. In addition, accumulated depreciation of $172 thousand was also recorded.

NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the Cash and Cash Equivalents, Investments, and Deferred Compensation Plan Assets on the June 30, 1998, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953,* as amended. Except certain repurchase agreements, all securities purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, or certified dealers, or directly with issuers of investment securities.

A. **Deposits**

At June 30, 1998, the carrying amount of the State's deposits for the primary government was $79.669 million and $54.691 million for the component units. At June 30, 1998, the bank balance was $166.424 million and $73.092 million for the primary government and component units, respectively. Of the bank balance for the primary government, $4.17 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, $3.072 million was covered by the FDIC or by collateral held by the State's agent in the name of the State. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for the deposit of public money at individual financial institutions.

B. **Investments**

Statutes authorize the State to invest in negotiable and nonnegotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds are not restricted by state statute and are presented at fair value.

The following table provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Credit and Market Risks of Investments — Primary Government
(Expressed in Thousands)

	Category			Carrying	Fair
	1	2	3	Amount	Value
Repurchase Agreements	$ —	$ 592	$ 183,700	$ 184,292	$ 184,292
U.S. Government Securities	594,400	7,685	—	602,085	602,404
Negotiable Certificates of Deposit	75,207	—	—	75,207	75,207
Commercial Paper	84,213	—	—	84,213	84,213
Corporate Bonds and Notes	4,557,622	—	—	4,557,622	4,557,622
Equity Securities	3,878,482	—	—	3,878,482	3,878,482
Total	$ 9,189,924	$ 8,277	$ 183,700	9,381,901	9,382,220
Mutual and Escrow Funds				3,383,699	3,383,699
Investment Contracts				195,719	195,719
Investment in U.S. Treasury Investment Pool				586,818	586,818
Component Units Investment in Primary Government's Investment Pool				(226,150)	(226,150)
Real Estate				125,463	125,463
Real Estate Mortgages				512,086	512,086
Real Estate Joint Ventures				424,102	424,102
Investments Held by Broker-Dealers Under Securities Lending Program:					
U.S. Government Securities				470,977	470,977
Equity Securities				588,443	588,443
Corporate Bonds and Notes				174,116	174,116
Securities Lending Short-Term Collateral Investment Pool				1,255,786	1,255,786
Total Investment				$ 16,872,960	$ 16,873,279

The Pension Trust Fund owns approximately 60 percent of the investments that are in Category 1.

Credit and Market Risks of Investments — Component Units
(Expressed in Thousands)

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	$ —	$ —	$ 51,716	$ 51,716	$ 51,716
U. S. Government Securities	775,408	35,136	52,801	863,345	876,987
Negotiable Certificates of Deposit	9,074	—	—	9,074	9,074
Corporate Bonds and Notes	101,071	491	3,389	104,951	107,170
Equity Securities	49,690	793	18,140	68,623	68,623
Municipal and Public Utility Bonds	62,227	1,247	1,805	65,279	65,472
Total	$ 997,470	$ 37,667	$ 127,851	1,162,988	1,179,042
Mutual and Escrow Funds				414,300	414,300
Investment Contracts				255,482	255,482
Investment in Primary Government's Investment Pool				226,150	226,150
Real Estate				6,781	6,781
Total Investments				$ 2,065,701	$ 2,081,755

C. **Securities Lending**

The Utah Retirement System (Trust and Agency Funds) and the Utah Public Employees Group Insurance Program (Internal Service Funds) participate in security lending programs as authorized by their Boards. The types of securities lent are U.S. government securities, equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made. For both state entities, their custodial agent is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are presented as unclassified in the preceding summary of custodial risk. Corresponding assets and liabilities for collateral received which can be pledged or sold without a borrower default are recorded at the fair value. At yearend Utah Public Employees Group Insurance Program held $15.806 million of collateral which cannot be pledged or sold without a borrower default and which is not recorded as assets and liabilities.

At yearend neither the Utah Retirement System nor Utah Public Employees Group Insurance Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.186 billion and $47.59 million, respectively, and the collateral received for those securities on loan was $1.223 billion and $48.332 million, respectively, with carrying amount and fair value being the same. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool. This cannot be determined by the state entities.

NOTE 4. INVESTMENT POOL

The Utah State Treasurer's office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953,* as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance of each participant's balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor that enables them to adjust their statement balance to fair value.

PTIF condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 1998, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 1998
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 238,580
Investments	3,476,680
Interest Receivable	28,130
Net Assets	$ 3,743,390
Net Assets Consist of:	
External Participant Account Balances	$ 2,241,938
Internal Participant Account Balances:	
Primary Government	1,271,832
Component Units	224,923
Undistributed Reserves and Unrealized Gains/Losses	4,697
Net Assets	$ 3,743,390
Participant Account Balance Net Asset Valuation Factor	1.000018

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 1998
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 5,564,986
Investment Income:	
Investment Earnings	212,396
Fair Value Increases	2,213
Total Investment Income	214,609
Less Administrative Expenses	135
Net Investment Income	214,474
Total Additions	5,779,460
Deductions	
Pool Participant Withdrawals	4,804,431
Earnings Distributions	210,319
Total Deductions	5,014,750
Net Increase From Operations	764,710
Net Assets	
Beginning of Year	2,980,826
Adjustment to Beginning Net Assets	(2,146)
Beginning Net Assets as Adjusted	2,978,680
Net Assets — End of Year	$ 3,743,390

The adjustment to beginning net assets was the result of implementing Statement 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Deposits and Investments

The following disclosure of deposits and investments is for the Public Treasurer's Investment Fund, which includes external and internal participants. These assets are also included in Note 3, disclosure of deposits and investments for the state entity as a whole. Information on the type of deposits and investments and how they are held is disclosed in Note 3. At June 30, 1998, the PTIF investments included certificates of deposit of $110.507 million that qualify as deposits. Of this amount, $600 thousand was covered by the Federal Deposit Insurance Corporation (FDIC) and $109.907 million was uninsured and uncollateralized and was held by various financial institutions. The following schedule provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Public Treasurer's Investment Fund
Credit and Market Risks of Investments
June 30, 1998
(*Expressed in Thousands*)

	Category 1	Category 3	Fair Value
Negotiable Certificates of Deposit	$ 75,102	$ —	$ 75,102
Repurchase Agreements	—	55,000	55,000
U.S. Government Securities	471,326	—	471,326
Commercial Paper	66,089	—	66,089
Corporate Bonds and Notes	2,937,236	—	2,937,236
Total Investments	$ 3,549,753	$ 55,000	$ 3,604,753

Public Treasurer's Investment Fund Portfolio Statistics:

June 30, 1998	Range of Yields	Weighted Average Maturity
Certificates of Deposit	5.56% – 5.98%	11 days
Repurchase Agreements	6.00%	1 day
U.S. Government Securities	5.60% – 6.04%	437 days
Commercial Paper	6.27% – 6.35%	1 day
Corporate Bonds and Notes	5.39% – 5.91%	39 days

June 30, 1998	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	5.61%	86 days

NOTE 5. DUE FROM/TO OTHER FUNDS

At June 30, 1998
(Expressed in Thousands)

	Interfund Receivables	Interfund Payables
General Fund	$ 24,441	$ 10,281
Special Revenue Funds:		
Uniform School	2,549	274
Transportation	48,384	38,946
Centennial Highway	8,585	43,488
Sports Authority	405	473
Consumer Education	—	47
Capital Projects Fund	22,277	1,493
Debt Service Fund	52	311
Enterprise Funds:		
Alcoholic Beverage Control	246	5,873
Utah Correctional Industries	1,808	590
State Trust Lands Administration	2	103
Agriculture Loan Fund	5	8
Clean Fuel/Private	20	—
Revitalization Programs	—	17
Internal Service Funds:		
Water Resources Loan Fund	43	—
Information Technology	5,025	7,729
Group Insurance	—	152
Community Impact Loan Fund	—	17
General Services	1,318	1,370
Fleet Operations	4,188	8,311
Human Services/Internal Service	230	163
Office of Education/Internal Service	287	48
Natural Resources/Internal Service	543	2,072
Administrative Services/Risk Management	274	6,124
Property Management	567	366
State Debt Collection	2	23
Trust and Agency Funds:		
Nonexpendable Trust	17	7
Expendable Trust:		
Unemployment Compensation Trust	—	952
Employers' Reinsurance Trust	—	4
Utah Navajo Trust	2	80
Restricted Trust	29	555
Agency:		
County and Local Collections	27,467	—
Deposits, Suspense, and Miscellaneous	85	—
Component Units:		
College and University Funds:		
University of Utah	152	16,113
Utah State University	—	932
Weber State University	—	331
Southern Utah University	—	52
Salt Lake Community College	—	417
Utah Valley State College	—	874
College of Eastern Utah	—	407
Total	$ 149,003	$ 149,003

NOTE 6. FIXED ASSETS

Changes in the General Fixed Assets Account Group
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
General Fixed Assets:				
Land	$ 117,459	$ 11,181	$ 839	$ 127,801
Buildings and Improvements	662,688	193,857	14,298	842,247
Machinery and Equipment	237,156	63,013	24,377	275,792
Construction-In-Progress	219,111	63,183	201,392	80,902
Total General Fixed Assets	$ 1,236,414	$ 331,234	$ 240,906	$ 1,326,742

At June 30, 1998, fixed assets for Enterprise Funds, Internal Service Funds, Trust Funds, and Component Units consist of the following amounts (expressed in thousands):

	Primary Government			Component Units	
	Enterprise Funds	Internal Service Funds	Trust Funds	Colleges and Universities	Proprietary Funds
Land	$ 9,194	$ —	$ 5,017	$ 44,402	$ 2,770
Buildings and Improvements	18,093	5,986	3,864	1,405,000	8,546
Machinery and Equipment	8,514	137,201	4,101	803,635	11,910
Accumulated Depreciation	(8,342)	(83,453)	(4,142)	(9,938)	(8,451)
Construction-In-Progress	3,668	1,143	—	171,489	—
Total Fixed Assets	$ 31,127	$ 60,877	$ 8,840	$ 2,414,588	$ 14,775

Investment in General Fixed Assets by Source
(Expressed in Thousands)

	1997	1998
General Fund	$ 733,912	$ 913,456
Special Revenue Funds:		
Uniform School Fund	88,117	102,507
Transportation Fund	170,684	178,840
Sports Authority Fund	23,381	49,781
Capital Projects Fund	219,111	80,902
Utah Navajo Trust Fund	1,209	1,256
Total Investment in General Fixed Assets	$ 1,236,414	$ 1,326,742

Construction-In-Progress retirements are transferred as additions to land and buildings. These additions represent land of $7.566 million and buildings of $193.826 million. If Construction-In-Progress expenditures are in excess of current authorization, deficits will be funded from additional appropriations for phased funded projects, from additional funding from a participating agency, or from the capital projects contingency funds. Construction-In-Progress, in the Capital Projects Fund, at June 30, 1998, consisted of the following:

Capital Projects Fund
Construction-In-Progress
(Expressed in Thousands)

Project	Description	Amount Authorized	Amount Expended	Balance Authorized
94178	U of U Huntsman Cancer Institute	$ 15,877	$ 15,877	$ 0
96014	State Library Visually Handicapped Bldg	14,563	7,668	6,895
96006	Gunnison Prison, Phase I 192 Bed	14,292	12,686	1,606
96027	State Hospital Forensics Facility..	14,204	3,428	10,776
96011	Davis County Regional Courts Expansion	11,678	4,707	6,971
97025	Youth Corrections, Region One Facility	8,854	410	8,444
94042	Davis ATC Multipurpose Addition	6,746	4,876	1,870
96012	Washington County Courthouse	4,448	4,262	186
96016	DOT Traffic Operation Center	4,031	3,586	445
93016	Deaf and Blind Classrooms	3,481	3,367	114
94062	DOT District 2, New Complex	3,262	3,206	56
—	All Others	25,338	16,829	8,509
	Total	$ 126,774	$ 80,902	$ 45,872

The State had long-term construction project commitments totaling $100.96 million at June 30, 1998. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Fund:

Capital Projects Fund
Construction Project Commitments
(Expressed in Thousands)

Project	Description	Remaining Construction Commitment
96013	USU Widtsoe Hall Chemistry Building Replacement	$ 22,486
96167	University of Utah New Fine Arts Museum	11,613
96027	State Hospital Forensic Facility	8,551
95013	Weber State University Browning Center Remodel	8,407
96156	University of Utah Student Housing	6,657
94029	University of Utah Gardner Hall Renovation & Concert Hall Addition	5,674
95018	University of Utah Rice-Eccles Stadium Renovation	5,175
96011	Davis County Courts Facility	3,929
96016	DOT Traffic Operations Center	3,854
96014	New State Library/Visually Handicapped Facility	3,069
95022	CEU Student Center	1,811
96041	State Capitol Grand Stairs, Gold Room, Other Improvements	1,733
97043	Office of Rehabilitation Industries for the Blind, Office Remodeling	1,070
96165	UVSC Technology Building Design	1,069
97021	Antelope Island State Park, East Road Development	937
—	All Others	14,925
	Total Commitments	$ 100,960

NOTE 7. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes and are reported in the General Long-Term Obligation Account Group or in the appropriate proprietary or college and university fund types described below.

Assets acquired through capital leasing are valued at the inception of the lease at either the lower of fair market value or the present value of the future minimum lease payments. Capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital leases for the College and University Funds are reported in those funds along with the related assets. Capital lease obligations for the governmental type funds are reported in the General Long-Term Obligation Account Group, and the related assets are reported in the General Fixed Assets Account Group.

General government capital lease payments of $1.002 million in principal and $2.299 million in interest for the fiscal year ended June 30, 1998, are reported as an expenditure by governmental function.

Operating leases (leases on assets not recorded in the balance sheet) contain various renewal options, as well as some purchase options. However, due to the nature of the leases, the related assets were not classified as capital assets. Any escalation clauses, sublease rentals, and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The total operating lease expenditures for fiscal year 1998 were $29.097 million for the primary government, and $13.481 million for component units. For fiscal year 1997, the total operating lease expenditures were $25.737 million for the primary government, and $12.764 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 1998, were as follows:

Future Minimum Lease Commitments
(Expressed in Thousands)

	Operating Leases			Capital Leases			
				Primary Government		Component Units	
Fiscal Year	Primary Government	Component Units	Total	Long-Term Obligation Account Group	Enterprise Funds	College and University Funds	Total
1999	$ 14,026	$ 14,422	$ 28,448	$ 3,183	$ 179	$ 7,550	$ 10,912
2000	12,260	13,401	25,661	3,186	178	6,939	10,303
2001	10,023	11,004	21,027	3,186	109	5,667	8,962
2002	7,592	9,680	17,272	3,188	83	4,168	7,439
2003	5,524	8,287	13,811	3,205	83	2,855	6,143
2004–2008 . . .	9,521	29,319	38,840	15,540	20	4,627	20,187
2009–2013 . . .	1,462	2,333	3,795	10,425	—	6,905	17,330
2014–2018 . . .	1,028	2,286	3,314	7,810	—	10,068	17,878
2019–2023 . . .	253	2,225	2,478	941	—	5,658	6,599
2024–2028 . . .	110	2,156	2,266	423	—	—	423
2029–2033 . . .	—	2,111	2,111	—	—	—	—
2034–2038 . . .	—	2,111	2,111	—	—	—	—
Total Future Minimum Lease Payments . .	$ 61,799	$ 99,335	$ 161,134	51,087	652	54,437	106,176
Less Amounts Representing Interest				21,656	109	18,088	39,853
Present Value of Future Minimum Lease Payments				$ 29,431	$ 543	$ 36,349	$ 66,323

Changes in Capital Lease Long-Term Obligations
(Expressed in Thousands)

	Primary Government		Component Units	
	Long-Term Obligation Account Group	Alcoholic Beverage Control Proprietary Fund	College and University Funds	Total
Balance at July 1, 1997	$ 30,720	$ 702	$ 35,003	$ 66,425
Increase in Lease Obligations	1,477	—	9,370	10,847
Decrease in Lease Obligations	(2,766)	(159)	(8,024)	(10,949)
Balance at June 30, 1998	$ 29,431	$ 543	$ 36,349	$ 66,323

NOTE 8. BONDS AND NOTES PAYABLE

A. General Obligation Bonds

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities, highways, and water management for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 1998, the State had $78 million of authorized but unissued general obligation building bonds. In July 1998, the State issued $55 million of building bonds and converted $210 million of highway short-term general obligation bond anticipation notes into $210 million long-term general obligation bonds. The remaining $23 million of unissued building bonds are scheduled to be issued in July 1999.

During fiscal year 98, the State issued $260 million Series 1997AB and $240 million Series 1998AB Bond Anticipation Notes (BAN) to fund a portion of the costs associated with various highway construction projects. The notes are not callable prior to maturity, will mature no later than 270 days from the date of issuance, and may be rolled over. Each note bears interest from its date of issuance at a rate determined on the date of issuance (not to exceed 12 percent), and interest is payable at maturity. Current interest rates average 3.70 percent per annum.

To provide liquidity for payment of principal and interest on the 97AB BAN, the State has entered into two substantially identical credit agreements with the Toronto-Dominion Bank of Canada, each dated July 10, 1997, with respect to each series of notes. The commitment under each agreement is $130 million, and both agreements expire on July 10, 2000. On July 1, 1998, the State issued $210 million of general obligation bonds to retire a portion of the 97AB BAN (see Note 19, Subsequent Events). The State currently expects to retire the remaining $50 million of 97AB BAN with federal highway monies on or before July 10, 2000.

To provide liquidity for payment of principal and interest on the 98AB BAN, the State has entered into two substantially identical credit agreements with the Toronto-Dominion Bank of Canada, each dated May 7, 1998, with respect to each series of notes. The commitment under each agreement is $120 million, and both agreements expire on May 7, 1999. Subsequent to June 30, 1998, the agreement was extended to May 7, 2001. The State currently expects to retire the 98AB BAN with general obligation bonds on or before May 2, 2003.

General Obligation Bonds Payable presented in the General Long-Term Obligation Account Group consist of the following:

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30,1998
1991 FG Capital Facility Issue	12/15/91	1998	5.50%	$ 47,935	47,935
1992 AB Capital Facility Issue	07/01/92	1993–1998	4.50% to 5.00%	$ 85,000	24,275
1993 AB Capital Facility Issue	07/01/93	1999	4.40%	$ 70,000	70,000
1994 ABCDEF Capital Facility Issue . .	07/01/94	1995–2000	4.60% to 4.70%	$ 94,745	90,100
1995 AB Capital Facility Issue	07/01/95	2001	6.00%	$ 45,000	45,000
1996 Capital Facility Issue	07/01/96	2002	5.00%	$ 20,000	20,000
1997 ABCDE Capital Facility Issue . . .	07/01/97	2002–2013	4.80% to 5.50%	$ 200,000	200,000
1997 F Capital Facility Issue	08/01/97	2002–2013	5.00% to 5.50%	$ 205,000	205,000
1997 AB Bond Anticipation Notes	07/10/97	2000	variable	$ 260,000	260,000
1998 AB Bond Anticipation Notes	05/07/98	up to 2003	variable	$ 240,000	240,000
Total General Obligation Bonds Payable					$ 1,202,310

General Obligation Bond Issues
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal					
Fiscal Year	1991 FG Capital Facility	1992 AB Capital Facility	1993 AB Capital Facility	1994 A–F Capital Facility	1995 AB Capital Facility	1996 Capital Facility
1999	47,935	24,275	—	1,575	—	—
2000	—	—	70,000	7,200	—	—
2001	—	—	—	81,325	—	—
2002	—	—	—	—	45,000	—
2003	—	—	—	—	—	20,000
2004-2008 .	—	—	—	—	—	—
2009-2013 .	—	—	—	—	—	—
Total . .	$ 47,935	$ 24,275	$ 70,000	$ 90,100	$ 45,000	$ 20,000

Continues Below

	Principal						
Fiscal Year	1997A-E Capital Facility	1997F Capital Facility	1997AB Bond Anticipation Notes	1998AB Bond Anticipation Notes	Total Principal Amount Required	Interest Amount Required	Total Amount Required
1999	—	—	210,000	—	283,785	46,047	329,832
2000	—	—	—	—	77,200	39,429	116,629
2001	—	—	50,000	240,000	371,325	32,464	403,789
2002	8,250	12,625	—	—	65,875	21,091	86,966
2003	33,700	13,325	—	—	67,025	17,572	84,597
2004-2008 .	91,175	78,375	—	—	169,550	56,685	226,235
2009-2013 .	66,875	100,675	—	—	167,550	17,598	185,148
Total . .	$ 200,000	$ 205,000	$ 260,000	$ 240,000	$1,202,310	$ 230,886	$1,433,196

Changes in General Obligation Bonds
(Expressed in Thousands)

Balance at July 1, 1998	$ 367,160
New Bonds Issued:	
1997 ABCDE Capital Facility	200,000
1997 F Capital Facility	205,000
1997 AB Bond Anticipation Notes	260,000
1998 AB Bond Anticipation Notes	240,000
Bonds Retired	(69,850)
Balance at June 30, 1998	$ 1,202,310

B. **Revenue Bonds**

Revenue bonds payable consist of those issued by the Utah Housing Finance Agency, the Utah State Board of Regents Student Loan Purchase Program, the Utah State Building Ownership Authority, the State, and the various colleges and universities. These bonds are not considered general obligations of the State.

The Utah Housing Finance Agency bonds were issued to provide sources of capital for housing persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage proceeds. Outstanding bonds payable are reported in the component units. Of the total reported bonds payable, $1.724 million represents deferred interest on revenue bonds outstanding.

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund and by the revenues and receipts derived from such assets. Outstanding bonds payable are reported in the Enterprise Funds. An unused irrevocable direct-pay letter of credit expiring November 15, 1999, in the amount of $37.428 million issued by the Student Loan Marketing Association supports the Series 1993 A bonds. The Utah State Building Ownership Authority has issued a refunding bond for bonds previously issued to construct facilities leased to the Department of Employment Security. The bond is secured by the facilities, and repayment is made from lease income. The outstanding bond payable is reported in the General Long-Term Obligation Account Group.

The Utah State Building Ownership Authority has issued bonds for the purchase and construction of facilities to be leased to state agencies. The bonds are secured by the facilities, and repayment is made from lease income. The outstanding bond payable at June 30, 1998, is reported in the General Long-Term Obligation Account Group, except for $9.615 million which is reported in Alcoholic Beverage Control (Enterprise Fund).

The State has issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables. Of the bonds payable outstanding at June 30, 1998, $6.395 million are reported in the General Long-Term Obligation Account Group and $8.715 million in the Internal Service Funds.

The colleges and universities issue bonds for various purposes, including: student housing, special events centers, and student unions. The bonds are secured by the related assets, student building fees, and other income of certain college activities. Outstanding bonds payable are reported in the College and University Funds.

Revenue Bonds Payable presented on the Combined Balance Sheet consist of the following:

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 1998
1988 and 1993 Board of Regents Student Loan Indentures	1988–1997	1992–2031	4.45% to 7.6% and variable	$ 799,060	$ 615,840
1992 A Revolving Loan Recapitalization Program	04/15/92	1993–2004	4.0% to 6.6%	$ 5,065	2,965
1992 B Revolving Loan Recapitalization Program	06/01/92	1993–2004	3.4% to 6.3%	$ 9,935	5,750
1992 A Utah State Building Ownership Authority Refunding	07/15/92	1993–2011	5.30% to 5.75%	$ 26,200	21,680
1992 B Utah State Building Ownership Authority	07/15/92	1994–2011	4.3% to 6.0%	$ 1,380	1,175
1993 A Utah State Building Ownership Authority	12/01/93	1995–2013	4.5% to 5.2%	$ 6,230	5,330
1993 B Utah State Building Ownership Authority	12/01/93	1995–2014	4.5% to 5.2%	$ 8,160	7,080
1994 A Utah State Building Ownership Authority	09/01/94	1995–2018	5.0% to 6.25%	$ 30,915	27,095
1995 A Utah State Building Ownership Authority	07/01/95	1996–2018	5.0% to 5.75%	$ 93,000	92,000
1995 Water Refunding	10/04/95	1996–2005	5.125%	$ 8,430	6,395
1996 A Utah State Building Ownership Authority	07/01/96	1997–2019	5.5% to 6.0%	$ 44,725	43,410
1996 B Utah State Building Ownership Authority	11/01/96	1999–2013	5.0% to 5.4%	$ 16,875	16,875
1997 A Utah State Building Ownership Authority	12/01/97	1999–2018	4.6% to 5.125%	$ 4,150	4,150
Total Revenue Bonds Outstanding					849,745
Student Loan Purchase Program Plus Unamortized Premiums					192
Total Revenue Bonds Payable					$ 849,937

Revenue Bonds Payable — Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 1998
1977–1998 Utah Housing Finance Agency Issues	1977–1998	1979–2036	3.0% to 10.75%	$ 3,668,178	$ 1,099,200
Colleges and Universities Revenue Bonds	1987–1998	2000–2027	2.75% to 8.49%	$ 242,774	208,730
Total Revenue Bonds Outstanding					1,307,930
Utah Housing Finance Agency Deferred Interest Payable					1,724
Colleges and Universities Less Unamortized Discounts					(404)
Total Revenue Bonds Payable					$ 1,309,250

Revenue Bond Issues — Primary Government
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal							
Fiscal Year	**Student Loan Programs**	**1992 A Revolving Loan Recap Program**	**1992 B Revolving Loan Recap Program**	**1992 A Utah State Building Ownership Authority**	**1992 B Utah State Building Ownership Authority**	**1993 A Utah State Building Ownership Authority**	**1993 B Utah State Building Ownership Authority**	**1994 A Utah State Building Ownership Authority**
1999	20,375	420	825	1,055	55	250	300	1,400
2000	28,975	450	875	1,115	60	260	315	1,470
2001	57,685	475	925	1,175	65	270	330	1,540
2002	12,540	505	980	1,240	65	285	345	1,620
2003	13,550	540	1,040	1,310	70	300	360	1,710
2004-2008 . .	99,215	575	1,105	7,760	425	1,730	2,090	7,090
2009-2013 . .	19,500	—	—	8,025	435	2,235	2,705	7,140
2014-2018 . .	44,345	—	—	—	—	—	635	5,125
2019-2023 . .	3,600	—	—	—	—	—	—	—
2024-2028 . .	215,000	—	—	—	—	—	—	—
2029-2033 . .	101,055	—	—	—	—	—	—	—
Total . .	$ 615,840	$ 2,965	$ 5,750	$ 21,680	$ 1,175	$ 5,330	$ 7,080	$ 27,095

Continues Below

	Principal							
Fiscal Year	**1995 A Utah State Building Ownership Authority**	**1995 Water Refunding**	**1996 A Utah State Building Ownership Authority**	**1996 B Utah State Building Ownership Authority**	**1997A Utah State Building Ownership Authority**	**Total Principal Required**	**Total Interest**	**Total Amount Required**
1999	2,825	780	890	800	65	30,040	42,961	73,001
2000	2,965	820	1,390	820	135	39,650	40,814	80,464
2001	3,125	865	1,470	860	140	68,925	37,880	106,805
2002	3,275	910	1,540	900	145	24,350	35,868	60,218
2003	3,450	955	1,630	945	155	26,015	34,409	60,424
2004-2008 . .	19,800	2,065	9,585	5,485	895	157,820	144,695	302,515
2009-2013 . .	25,630	—	11,450	7,065	1,140	85,325	107,315	192,640
2014-2018 . .	30,930	—	12,915	—	1,475	95,425	81,337	176,762
2019-2023 . .	—	—	2,540	—	—	6,140	68,800	74,940
2024-2028 . .	—	—	—	—	—	215,000	47,859	262,859
2029-2033 . .	—	—	—	—	—	101,055	12,921	113,976
Total	$ 92,000	$ 6,395	43,410	$ 16,875	$ 4,150	$ 849,745	$ 654,859	$ 1,504,604

Revenue Bond Issues — Component Units
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal: Housing Finance Agency	Principal: Colleges and Universities	Total Principal Required	Total Interest	Total Amount Required
1999	166,476	9,933	176,409	70,214	246,623
2000	20,226	9,390	29,616	67,978	97,594
2001	23,421	9,187	32,608	66,300	98,908
2002	25,011	9,704	34,715	64,449	99,164
2003	26,415	10,722	37,137	62,397	99,534
2004–2008	144,425	58,473	202,898	278,235	481,133
2009–2013	154,806	54,564	209,370	216,144	425,514
2014–2018	169,786	18,307	188,093	155,354	343,447
2019–2023	184,991	12,355	197,346	95,574	292,920
2024–2028	167,152	16,095	183,247	32,914	216,161
2029–2033	15,445	—	15,445	1,321	16,766
2034–2038	1,046	—	1,046	35	1,081
Total	$ 1,099,200	$ 208,730	$ 1,307,930	$ 1,110,915	$ 2,418,845

Changes in Revenue Bonds Outstanding
(Expressed in Thousands)

	Primary Government: Proprietary Funds	Primary Government: General Long-Term Obligation	Primary Government: Total Primary Government	Component Units	Total Revenue Bonds Outstanding
Balance at July 1, 1997	$ 613,955	$ 220,480	$ 834,435	$ 1,178,953	$ 2,013,388
New Bonds Issued:					
Student Loan Programs	90,900	—	90,900	—	90,900
Utah State Building Ownership Authority	4,150	—	4,150	—	4,150
Utah Housing Finance Agency	—	—	—	324,350	324,350
Colleges and Universities	—	—	—	116,126	116,126
Bonds Retired	(74,835)	(4,905)	(79,740)	(311,499)	(391,239)
Balance at June 30, 1998	$ 634,170	$ 215,575	$ 849,745	$ 1,307,930	$ 2,157,675

C. **Conduit Debt Obligations**

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park Hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. At June 30, 1998, $8.495 million of Variable Rate Demand Industrial Development Bonds are outstanding.

D. **Defeased Bonds**

In prior years, Utah Housing Finance Agency (Component Unit) defeased certain revenue bonds by placing a portion of the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Utah Housing Finance Agency's balance sheet. At June 30, 1998, $5.355 million of bonds outstanding are considered defeased.

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the General Long-Term Obligation Account Group. At June 30, 1998, $26.850 million of revenue bonds outstanding are considered defeased.

In December 1997, the University of Utah issued $24.615 million in Hospital Revenue Refunding Bonds to advance refund $24.085 million of outstanding Hospital Project Series 1991 bonds. The excess bond reserves were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the series 1991 bonds which were advance refunded, and to fund a reserve for the new bonds of $2.544 million. The advance refunding of the series 1991 bonds has resulted in a reduction of the university's aggregate debt service payments of approximately $1.525 million over the next nine years and a present value economic gain of approximately $238 thousand.

In July 1997, Weber State University defeased the 1988 Student Facilities System Refunding Revenue Bonds which had an outstanding balance or $3.405 million, which were scheduled to mature in 2007 and carried an interest rate between 5.75% to 8.10%. The defeasance was funded by the issuance of 1997A Student Facilities System Revenue Refunding Bonds for $3.665 million, which fully mature in the year 2007 and carry an interest rate between 4.15% to 4.95%. This refinancing resulted in an economic gain of approximately $750 thousand, and a financial statement loss of approximately $260 thousand. Issuance costs were not significant. The 1998 bonds were called and repaid in October 1997.

In May 1998, Weber State University defeased the 1992 Student Facilities System Refunding Revenue Bonds which had an outstanding commitment of $4.825 million, which were scheduled to mature in 2010 and carried an interest rate between 4.75% to 7.0%. The defeasance was funded by the issuance of 1998A Student Facilities System Revenue Refunding Bonds for $5.05 million which fully mature in the year 2010 and carry an interest rate between 3.85% to 4.80%. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments on the old bonds or repay the bonds when they are called. This refinancing resulted in an economic gain of approximately $760 thousand and a financial statement loss of approximately $225 thousand. Issuance costs were not significant.

On April 13, 1998, the Salt Lake Community College advance refunded $5.29 million of outstanding Auxiliary System and Student Fee Revenue Bonds Series 1992B with the issuance of $6.6 million Auxiliary System and Student Fee Revenue Refunding Bonds Series 1998. The net proceeds of $5.7 million were deposited in an irrevocable trust with an escrow agent. This escrow account will provide for the payment of all future debt service on the advance refunded 1992B bonds. The more favorable interest rates on the refunding bonds will result in a net future value savings of $503.7 thousand over the next 14 years and provided the College an economic value gain of $256.5 thousand.

In prior years, colleges and universities (Component Units) defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the colleges and universities balance sheet. At June 30, 1998, $59.799 million of college and university bonds outstanding are considered defeased.

E. **Notes Payable**

The balance of notes payable of $12.971 million is comprised of $2.481 million in notes issued by Technology Finance Corporation (Component Units – Proprietary Fund), $37 thousand in notes issued by the Heber Valley Historic Railroad Authority (Component Units – Proprietary Fund), and $10.453 million in notes issued by the College and University Funds (Component Units) for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 30 years. They are secured by the related assets.

Changes in Notes Payable
Component Units
(Expressed in Thousands)

	Colleges and Universities	Proprietary Funds
Balance at July 1, 1997	$ 8,681	$ 1,970
Additions	3,027	843
Deletions	(1,255)	(295)
Balance at June 30, 1998	$ 10,453	$ 2,518

Notes Payable Debt Service Requirements to Maturity
Component Units
For Fiscal Years Ending June 30
(Expressed in Thousands)

Fiscal Year	Colleges and Universities Principal Required	Proprietary Funds Principal Required	Total Principal Required	Interest	Total Amount Required
1999	$ 2,994	$ 209	$ 3,203	$ 598	$ 3,801
2000	1,381	164	1,545	399	1,944
2001	1,055	169	1,224	320	1,544
2002	774	174	948	268	1,216
2003	646	179	825	217	1,042
2004–2008	1,384	351	1,735	762	2,497
2009–2013	696	355	1,051	517	1,568
2014–2018	586	373	959	359	1,318
2019–2023	516	392	908	460	1,368
2024–2028	362	152	514	58	572
2029–2033	59	—	59	2	61
Total	$ 10,453	$ 2,518	$ 12,971	$ 3,960	$ 16,931

F. **Contracts Payable**

Contracts Payable in the General Long-Term Obligation Account Group are for capital leases. Lease obligations are detailed in Note 7. Component Unit Contracts Payable include $1.284 million in life annuity contracts.

G. **Leave/Postemployment Benefits Obligations**

Changes in Leave/Postemployment Benefits Obligations
(Expressed in Thousands)

	General Fund	Special Revenue Funds: Uniform School	Special Revenue Funds: Transportation	General Long-Term Obligation Account Group	Total
Balance at July 1, 1997	$ 134,991	$ 17,019	$ 28,458	$ 10,624	$ 191,092
Increase (Decrease) in Accrued Leave Benefits	8,470	136	688	(2,628)	6,666
Increase (Decrease) in Postemployment Benefits	13,331	(71)	(263)	(7,996)	5,001
Balance at June 30, 1998	$ 156,792	$ 17,084	$ 28,883	$ 0	$ 202,759

NOTE 9. FUND BALANCES — RESERVED AND DESIGNATED

The State's reserved fund balances represent: 1) those portions of fund balance that are not available for appropriation or expenditure, which include loans receivable; or 2) fund balances that are legally segregated for a specific future use, which include reserves for encumbrances in the Capital Projects Fund, limited encumbrances in the General and Special Revenue Funds as explained in Note 1, continuing appropriation or nonlapsing funds, assets legally restricted for other purposes, and assets restricted by bond agreements. A summary of the nature and purpose of these reserves by fund type at June 30, 1998, follows (expressed in thousands):

A. **General Fund — Reserved**

Nonlapsing Appropriations for:	
Community and Economic Development	$ 8,429
Natural Resources – Parks and Recreation	7,255
Business, Labor, and Agriculture	5,951
Natural Resources – Except Parks	5,576
Environmental Quality	5,398
Department of Human Services	4,953
Tax Commission	4,652
Administrative Services	3,017
Department of Corrections	2,689
Department of Health	2,490
Legislature	1,842
Governor's Office	1,365
Judicial Council	1,332
Miscellaneous Other	2,409
Total Nonlapsing	57,358
Restricted by Law for:	
Water Pollution Loans	146,482
Safe Drinking Water Loans	40,905
Housing Development Loans	27,414
Medicaid Restricted	19,772
Oil Overcharge Funds	11,376
Wildlife Resources Restricted	9,497
DWS Special Administration	4,583
Natural Resources – Except Wildlife	4,496
Industrial Assistance	3,717
Public Safety Accounts	3,494
Nursing Facilities	2,957
Environmental Quality	2,666
Tax Commission	2,612
Youth Victim Restitution	1,405
Wildlife Resources Lifetime Trust and Other	1,401
Thrifts Restricted	1,319
Financial Institutions	1,149
Advances to Internal Service Funds	23,437
Miscellaneous Other	5,314
Total Restricted	313,996
Total General Fund Reserved	$ 371,354

General Fund — Unreserved/Designated

Budget/Revenue Deficit (Rainy Day Reserve Account)	$ 88,465
Net Accrued Taxes	30,370
Designated for Fiscal Year 1999 Appropriation	20,103
Total General Fund Designated	$ 138,938

B. **Special Revenue Funds — Reserved**

Uniform School Fund Nonlapsing Appropriations for:		
Minimum School Program	$	30,301
State Office of Education		6,053
Deaf and Blind School		996
Total Nonlapsing		37,350
Uniform School Fund Restricted by Law for:		
Applied Technology Centers		2,277
School Building Loans Programs		10,099
Advance to Internal Service Funds		203
Miscellaneous Programs		495
Total Restricted		13,074
Total Uniform School Fund Reserved	$	50,424
Transportation Fund Nonlapsing Appropriations for:		
Sidewalk Construction	$	1,166
Miscellaneous Programs		14
Total Nonlapsing		1,180
Transportation Fund Restricted by Law for:		
Corridor Preservation		3,191
Uninsured Motorist		1,698
Aeronautical Programs		2,993
Miscellaneous Programs		898
Total Restricted		8,780
Total Transportation Fund Reserved	$	9,960
Centennial Highway Fund:		
Restricted by Law for Construction	$	458,853
Total Special Revenue Funds Reserved	$	519,237

Special Revenue Funds — Unreserved/Designated

Uniform School Fund Net Accrued Taxes	$	117,572
Uniform School Fund Designated for Fiscal Year 1999 Appropriations		27,911
Transportation Fund Net Accrued Taxes		8,146
Total Special Revenue Funds Designated	$	153,629

C. **Capital Projects Fund**

Of the $113.209 million reserved fund balance, $100.960 million is for outstanding encumbrances on various capital projects, $11.933 million is for lease revenue bond restrictions on proceeds that are currently not committed under contract, and $316 thousand is reserved by statute for planning of construction projects. Appropriations and bond proceeds available in the next fiscal year will fund the deficit unreserved undesignated balance of $21.344 million.

D. **Debt Service Fund**

The $7.187 million reserved for the Debt Service Fund represents reserve funds and pledged funds required by bond agreements.

E. **Trust and Agency Funds**

The $14.293 billion reserved for the Trust and Agency Funds represents:

Pension Benefits:		
Employee Deferred Compensation	$	802,129
Insurance, Administration, and Reserves		40,913
Reserved for Employees' Pension Benefits		10,124,729
Total Pension Benefits		10,967,771
Investment Trust:		
Fund Balance Reserved for External Investment Pool Participants		2,246,608
Nonexpendable Trust:		
Trust Lands		206,262
Expendable Trust:		
Unemployment Compensation Benefits		586,781
Deferred Compensation 457 Plan		194,542
Utah Navajo Trust		10,954
Restricted Various		80,366
Total Expendable Trust		872,643
Total Trust and Agency Funds Reserved	$	14,293,284

F. **Internal Service Funds**

The $181.130 million in retained earnings includes $84.434 million of claims contingency reserves for Employees Group Insurance Fund and $1.791 million of bond reserves for Water Resources Loan Fund.

G. **Enterprise Funds**

Reserved Retained Earnings:		
Student Assistance Programs for Financing and Bond Agreements	$	62,861
Unreserved Retained Earnings:		
Student Assistance Programs	$	70,281
Utah Correctional Industries		1,062
State Trust Lands Administration		5,097
Agriculture Loan Fund		7,689
Utah Dairy Commission		1,009
Clean Fuels Vehicle Loan Fund		225
Petroleum Storage Tank Loan Fund		273
Waste Tire Recycling Loan Fund		147
Revitalization Programs		2,423
Total Enterprise Funds Unreserved		88,206
Total Enterprise Funds Retained Earnings	$	151,067

H. **Component Units — Proprietary Type Funds**

Reserved Retained Earnings:		
Housing Finance Agency for Bond Agreements	$	99,115
Technology Finance Corporation – Federal		7,360
Total Reserved		106,475
Unreserved Retained Earnings:		
Housing Finance Agency		40,010
Workers' Compensation		204,546
Technology Finance Corporation		3,018
Comprehensive Health Insurance		5,908
Heber Valley Historic Railroad Authority		1,113
Utah Science Center Authority		116
Utah State Fair Corporation		726
Total Unreserved		255,437
Total Component Units Proprietary Type Funds Retained Earnings	$	361,912

I. **Component Units — Colleges and Universities**

Reserved for:		
University of Utah	$	426,614
Utah State University		107,315
Weber State University		44,806
Southern Utah University		14,867
Salt Lake Community College		15,450
Utah Valley State College		15,282
Dixie College		16,448
College of Eastern Utah		16,249
Snow College		19,699
Total Reserved	$	676,730
Unreserved Designated for:		
University of Utah	$	313,309
Utah State University		24,081
Weber State University		1,817
Southern Utah University		6,027
Salt Lake Community College		22,832
Utah Valley State College		51
Dixie College		2,647
Snow College		5,054
Total Unreserved Designated	$	375,818
Unreserved Undesignated for:		
Weber State University		13,030
Salt Lake Community College		4,444
Utah Valley State College		6,798
Dixie College		2,113
College of Eastern Utah		(805)
Snow College		1,999
Total Unreserved Undesignated	$	27,579

NOTE 10. DEFICIT FUND BALANCES/RETAINED EARNINGS

Funds reporting a deficit fund balance or retained earnings position at June 30, 1998, are (expressed in thousands):

Internal Service Funds:		
Office of Education	$	17
Human Services	$	174
Natural Resources	$	2,338
General Services	$	654
Expendable Trust Funds:		
Employers' Reinsurance Trust	$	260,065

The Internal Service Funds plan to increase their rates to cover these deficits.

The deficit in the Employers' Reinsurance Fund represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Fund claims are funded from taxes on workers' compensation insurance. The Legislature has set tax rates and modified benefits to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Fund only. State law also limits the Fund's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities.

NOTE 11. CHANGES IN CONTRIBUTED CAPITAL ACCOUNTS AND FUND EQUITY UNREALIZED INVESTMENT GAINS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

		Additions	Deletions	
	Beginning Balance July 1, 1997	Contributed Capital Transfers In	Contributed Capital Transfers Out	Ending Balance June 30, 1998
Enterprise Funds:				
Alcoholic Beverage Control	$ 12,276	$ 2,406	$ 878	$ 13,804
Utah Correctional Industries	3,103	—	—	3,103
State Trust Lands Administration	0	5,429	—	5,429
Agriculture Loan Fund	20,037	—	—	20,037
Clean Fuels Vehicle Loan Fund	1,650	—	—	1,650
Petroleum Storage Tank Loan Fund	5,000	—	—	5,000
Waste Tire Recycling Loan Fund	1,000	—	—	1,000
Revitalization Programs	400	—	—	400
Total Enterprise Funds	$ 43,466	$ 7,835	$ 878	$ 50,423
Internal Service Funds:				
Water Resources Loan Fund	$ 161,318	$ 1,653	$ —	$ 162,971
Information Technology	8,263	—	—	8,263
Community Impact Loan Fund	101,019	5,071	—	106,090
General Services	12,846	—	10,212	2,634
Fleet Operations	0	10,212	—	10,212
Human Services	581	—	—	581
Office of Education	143	—	—	143
Natural Resources	2,919	—	—	2,919
Risk Management	766	—	—	766
Property Management	200	—	—	200
Total Internal Service Funds	$ 288,055	$ 16,936	$ 10,212	$ 294,779
Component Units – Proprietary Type Funds:				
Technology Finance Corporation	$ 3,192	$ —	$ —	$ 3,192
Utah State Fair Corporation	756	—	—	756
Total Component Units – Proprietary Type Funds	$ 3,948	$ 0	$ 0	$ 3,948

Workers' Compensation (Component Units – Proprietary Type Fund) net unrealized gains on investments began with a balance of $28.708 million and had $45.018 million increases and $68.335 million decreases during the year, ending with a balance of $5.391 million.

NOTE 12. OPERATING AND RESIDUAL EQUITY TRANSFERS

Operating transfers among funds occur when one fund collects revenue and transfers the assets to another fund for expenditure. The transfers occur only after being legally authorized by the Legislature through statute or an *Appropriation Act*. For the fiscal year ended June 30, 1998, the operating transfers by fund are as follows:

Operating Transfers
(Expressed in Thousands)

	General Fund	Special Revenue Funds: Uniform School Fund	Special Revenue Funds: Transportation Fund	Special Revenue Funds: Centennial Highway Fund	Capital Projects Fund	Debt Service Fund	Enterprise Funds	Internal Service Funds	Expendable Trust Funds	Total Transfers Out
Transfers Out:										
General Fund	$ —	$ 1,159	$ 12,995	$ 78,000	$ 45,599	$ 80,331	$ 61	$ 522	$ 645	$ 219,312
Special Revenue Funds:										
Uniform School Fund	113,666	—	—	—	1,000	6,012	—	—	—	120,678
Transportation Fund	23,847	—	—	61,938	3,177	—	—	—	—	88,962
Sports Authority Fund	126	—	—	—	—	—	—	—	—	126
Consumer Education Fund	164	—	—	—	—	—	—	—	—	164
Centennial Highway Fund	—	—	—	—	4,000	24,366	—	—	—	28,366
Capital Projects Fund	787	—	—	—	—	3,142	—	—	—	3,929
Enterprise Funds	26,646	—	—	—	—	—	—	—	60	26,706
Internal Service Funds	5,077	—	—	—	—	—	—	—	—	5,077
Expendable Trust Funds	6,543	7,054	—	—	—	—	—	—	—	13,597
Total Transfers In	$ 176,856	$ 8,213	$ 12,995	$ 139,938	$ 53,776	$ 113,851	$ 61	$ 522	$ 705	$ 506,917

In addition, the General Fund transferred $6.270 million and $457.002 million to the component units' Proprietary Funds and to Colleges and Universities, respectively.

Residual equity transfers occur when nonroutine transfers are made from one fund to another. These transfers are usually made to provide for working capital. However, fixed assets with a cost of $5.601 million which were previously reported in the general fixed assets account group were also transferred to the State Trust Lands Administration enterprise fund when that agency was reclassified from a restricted expendable trust fund. Accumulated depreciation of $172 thousand was also recorded.

For the fiscal year ended June 30, 1998, the residual equity transfers by fund are as follows:

Residual Equity Transfers
(Expressed in Thousands)

	General Fund	Enterprise Fund	Internal Service Fund	Total Transfers
Transfers Out:				
General Fund	$ —	$ 2,406	$ 6,724	$ 9,130
Enterprise Funds	878	—	—	878
Expendable Trust Funds	—	2,583	—	2,583
Total Transfers In	$ 878	$ 4,989	$ 6,724	$ 12,591

NOTE 13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

A. The State of Utah has ten enterprise funds and seven proprietary-type component units which are described below:

Enterprise funds:

- Alcoholic Beverage Control — The Alcoholic Beverage Control Commission administers the *Alcoholic Beverage Control Act* with financing from operations which include the sale of liquor products.

- Student Assistance Programs — This is made up of two separate student assistance programs administered by the Utah State Board of Regents. The two programs are the Utah Higher Education Assistance Authority, which guarantees repayment of eligible student loans; and the Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances.

- Utah Correctional Industries — The Correctional Industries provides employment for prisoners at the Utah State Prison. It is funded by charges for services and the sale of goods produced.

- State Trust Land Administration — The Administration manages the assets of the State School and Institutional Trust Lands, nonexpendable trust fund.

- Agriculture Loan Fund — The Fund issues farm loans for soil and water conservation projects and for the rehabilitation of rural areas within the State.

- Utah Dairy Commission — The Dairy Commission promotes dairy products through advertising, research, and nutritional education. It is funded by collections from milk producers.

- Clean Fuels Vehicle Loan Fund — The Fund provides loans to government and private fleets for the conversion of their vehicles to clean fuel.

- Petroleum Storage Tank Loan Fund — The Fund provides loans to private business to repair, replace, upgrade, or close petroleum storage tanks to prevent leakage.

- Waste Tire Recycling Loan Fund — The Fund provides loans to private business to promote waste tire recycling in the State.

- Revitalization Programs — This is made up of two Revitalization Programs, the Uintah Basin Revitalization Fund and the San Juan Navajo Revitalization Fund. The Fund makes grants and loans to county agencies, the Ute Indian Tribe, and the Navajo Nation to benefit the citizens of the Uintah Basin and San Juan County for the social and economic impacts of mineral resource development. Funding is from appropriations, oil and gas severance taxes, and interest earnings.

Proprietary type component units:

- Utah Housing Finance Agency — The Agency issues bonds to provide capital for housing for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees.

- Workers' Compensation Fund of Utah — The Fund provides workers' compensation insurance to private and public employers and is financed through employer premiums.

- Utah Technology Finance Corporation — The Corporation is a corporate body created to encourage and assist small and emerging businesses involved in innovation and high technology in the State. The Corporation is operated from grants, earnings, and state appropriations.

- Comprehensive Health Insurance Pool — The Pool provides access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable.

- Heber Valley Historic Railroad Authority — The Authority operates and maintains a scenic and historic railway in Wasatch County.

- Utah Science Center Authority — The Authority provides a means to foster the development of science, arts, tourism, and cultural and educational facilities within the State.

- Utah State Fair Corporation — The nonprofit Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events.

Colleges and Universities component units:

- College and University Funds account for the operations of institutions of higher education.

B. Various bond resolutions place restrictions on the use of certain assets. As of June 30, 1998, restrictions have been placed on $55.815 million of Housing Finance Agency assets and $690.507 million of Student Loan Purchase Program assets.

C. Segment information for the fiscal year ended June 30, 1998, is as follows:

Enterprise Funds
Segment Information
(Expressed in Thousands)

	Alcoholic Beverage Control	Student Assistance Programs	Utah Correctional Industries	State Trust Lands Administration	Agriculture Loan Fund	Utah Dairy Commission	Clean Fuels Vehicle Loan Fund	Petroleum Storage Tank Loan Fund	Waste Tire Recycling Loan Fund	Revitalization Programs	Total
Operating Revenue	$ 103,892	$ 91,690	$ 12,508	$ 6,335	$ 1,084	$ 2,124	$ 89	$ 258	$ 49	$ 46	$ 218,075
Operating Expenses:											
Depreciation	873	255	101	60	1	10	—	—	—	—	1,300
Other	76,717	75,579	12,476	4,058	241	2,161	61	—	—	559	171,852
Operating Income (Loss)	26,302	15,856	(69)	2,217	842	(47)	28	258	49	(513)	44,923
Operating Transfers In (Out)	(26,297)	(61)	—	—	(225)	—	61	(123)	—	—	(26,645)
Tax Revenues	—	—	—	—	500	—	—	—	—	1,540	2,040
Non-Operating Income (Loss)	(5)	(12,609)	—	(44)	—	68	—	—	—	—	(12,590)
Net Income (Loss)	$ 0	$ 3,186	$ (69)	$ 2,173	$ 1,117	$ 21	$ 89	$ 135	$ 49	$ 1,027	$ 7,728
Current Assets	$ 12,100	$ 265,409	$ 4,762	$ 4,870	$ 11,995	$ 1,069	$ 1,608	$ 4,341	$ 797	$ 2,840	$ 309,791
Current Liabilities	11,988	31,445	1,647	403	20	163	3	—	—	17	45,686
Net Working Capital	$ 112	$ 233,964	$ 3,115	$ 4,467	$ 11,975	$ 906	$ 1,605	$ 4,341	$ 797	$ 2,823	$ 264,105
Total Assets	$ 35,543	$ 788,803	$ 5,812	$ 10,929	$ 27,746	$ 1,172	$ 1,878	$ 5,273	$ 1,147	$ 2,840	$ 881,143
Total Liabilities	21,739	655,661	1,647	403	20	163	3	—	—	17	679,653
Fund Equity	$ 13,804	$ 133,142	$ 4,165	$ 10,526	$ 27,726	$ 1,009	$ 1,875	$ 5,273	$ 1,147	$ 2,823	$ 201,490
Long-Term Liabilities	$ 9,751	$ 624,216	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 633,967
Current Capital Contributions	$ 1,528	$ —	$ —	$ 8,012	$ —	$ —	$ —	$ —	$ —	$ —	$ 9,540
Fixed Assets July 1, 1997	$ 22,456	$ 940	$ 2,825	$ —	$ 7	$ 201	$ —	$ —	$ —	$ —	$ 26,429
Additions	7,165	206	341	6,291	—	6	—	—	—	—	14,009
Deletions	(331)	—	(638)	—	—	—	—	—	—	—	(969)
Fixed Assets June 30, 1998	$ 29,290	$ 1,146	$ 2,528	$ 6,291	$ 7	$ 207	$ —	$ —	$ —	$ —	$ 39,469

Component Units — Proprietary Type Funds
Segment Information
(Expressed in Thousands)

	Housing Finance Agency	Workers' Compensation	Technology Finance Corporation	Comprehensive Health Insurance	Heber Valley Historic Railroad Authority	Utah Science Center Authority	Utah State Fair Corporation	Total
Operating Revenue	$ 82,453	$ 212,765	$ 1,194	$ 1,953	$ 597	$ 61	$ 3,311	$ 302,334
Operating Expenses:								
Depreciation	211	2,459	114	—	62	15	48	2,909
Other	71,279	145,692	1,688	3,824	597	95	3,501	226,676
Operating Income (Loss)	10,963	64,614	(608)	(1,871)	(62)	(49)	(238)	72,749
Operating Transfers from Primary Government	—	—	1,000	5,000	—	—	270	6,270
Federal Grants	—	—	70	—	—	—	—	70
Other Non-Operating Income (Loss)	—	—	(299)	291	106	3	52	153
Net Income (Loss)	$ 10,963	$ 64,614	$ 163	$ 3,420	$ 44	$ (46)	$ 84	$ 79,242
Current Assets	$ 340,386	$ 517,142	$ 9,725	$ 7,131	$ 39	$ 69	$ 1,381	$ 875,873
Due From Primary Government	—	—	—	—	—	—	—	—
Current Liabilities	198,635	116,931	353	1,223	71	13	246	317,472
Net Working Capital	$ 141,751	$ 400,211	$ 9,372	$ 5,908	$ (32)	$ 56	$ 1,135	$ 558,401
Total Assets	$ 1,276,304	$ 746,041	$ 16,232	$ 7,131	$ 1,184	$ 129	$ 1,728	$ 2,048,749
Total Liabilities	1,137,179	536,104	2,662	1,223	71	13	246	1,677,498
Fund Equity	$ 139,125	$ 209,937	$ 13,570	$ 5,908	$ 1,113	$ 116	$ 1,482	$ 371,251
Long-Term Liabilities	$ 938,544	$ 419,173	$ 2,309	$ —	$ —	$ —	$ —	$ 1,360,026
Current Capital Contributions	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 0
Fixed Assets July 1, 1997	$ 2,090	$ 17,729	$ 1,150	$ —	$ 1,345	$ 97	$ 1,211	$ 23,622
Additions	421	1,653	86	—	56	6	135	2,357
Deletions	(262)	(2,333)	(101)	—	(4)	—	(53)	(2,753)
Fixed Assets June 30, 1998	$ 2,249	$ 17,049	$ 1,135	$ —	$ 1,397	$ 103	$ 1,293	$ 23,226

Component Units — College and Universities
Segment Information
(Expressed in Thousands)

	University of Utah	Utah State University	Weber State University	Southern Utah University	Salt Lake Community College	Utah Valley State College	Dixie College	College of Eastern Utah	Snow College	Total
Revenues and Other Additions	$ 1,272,788	$ 287,832	$ 90,875	$ 49,360	$ 79,512	$ 71,601	$ 23,541	$ 23,986	$ 13,363	$ 1,912,858
Expenditures and Other Deductions	(1,305,888)	(331,209)	(123,036)	(61,101)	(113,008)	(87,522)	(29,260)	(31,178)	(20,929)	(2,103,131)
Operating Transfers from Primary Government	177,629	106,701	47,572	20,978	44,586	27,360	12,031	10,042	10,103	457,002
Net Increase (Decrease) in Fund Balances	144,529	63,324	15,411	9,237	11,090	11,439	6,312	2,850	2,537	266,729
Fund Balances – July 1, 1997 (as restated)	1,738,147	428,045	224,997	112,107	155,641	126,660	69,327	59,190	59,191	2,973,305
Fund Balances – June 30, 1998	$ 1,882,676	$ 491,369	$ 240,408	$ 121,344	$ 166,731	$ 138,099	$ 75,639	$ 62,040	$ 61,728	$ 3,240,034
Total Assets	$ 2,183,737	$ 583,711	$ 261,323	$ 138,368	$ 192,253	$ 159,318	$ 82,490	$ 69,630	$ 63,112	$ 3,733,942
Total Liabilities	$ 301,061	$ 92,342	$ 20,915	$ 17,024	$ 25,522	$ 21,219	$ 6,851	$ 7,590	$ 1,384	$ 493,908
Total Fixed Assets	$ 1,294,948	$ 395,397	$ 190,364	$ 110,835	$ 138,891	$ 124,570	$ 57,497	$ 50,958	$ 51,128	$ 2,414,588
Current Funds:										
Revenues	$ 825,295	$ 198,284	$ 59,827	$ 33,644	$ 50,767	$ 53,214	$ 14,647	$ 12,905	$ 10,709	$ 1,259,292
Expenditures	(983,677)	(295,719)	(105,039)	(52,452)	(89,915)	(78,089)	(25,151)	(23,656)	(20,431)	(1,674,129)
Excess Restricted Receipts Over Transfers to Revenues	6,447	3,664	257	109	(294)	(65)	178	(232)	51	10,115
Mandatory Transfers Out	(20,638)	(2,782)	—	(447)	(180)	—	(18)	(255)	(152)	(24,472)
Nonmandatory Transfers Out	(13,943)	(5,358)	(1,463)	148	(4,366)	(1,182)	(1,903)	331	(128)	(27,864)
Operating Transfers from Primary Government	177,629	106,701	47,572	20,978	44,586	27,360	12,031	10,042	10,103	457,002
Net Increase (Decrease) in Fund Balances	$ (8,887)	$ 4,790	$ 1,154	$ 1,980	$ 598	$ 1,238	$ (216)	$ (865)	$ 152	$ (56)

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

- The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.

- Among the legal proceedings is a suit filed by the Navajo Indians who allege the State of Utah has mismanaged Navajo Trust Fund monies. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts, disbursements, and damages. There is no way to estimate the outcome of this case, since this is a case of first impression and there is no similar case law available to help predict the outcome. However, if the State were ultimately held liable, the range of liability could be up to $50 million plus interest and attorneys' fees.

- A suit has recently been filed by the United Mine Workers of America and others, with respect to lands which are alleged to have been conveyed by the Federal government to the State of Utah to build and maintain a hospital for miners. The plaintiffs seek certification of the suit as a class action, a declaration that a separate hospital for disabled miners is required and that the proceeds received from the lands must be separately maintained. It also seeks a full accounting of all assets, together with an order requiring the State to establish a hospital to be maintained for disabled miners. It is not possible at this time to estimate the outcome or the financial impact an adverse ruling would have upon the State.

B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 1998, is in process and management expects proposed disallowances to be immaterial.

- Management's estimated liability for the Underground Petroleum Storage Tank Fund (Expendable Trust Fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number and the associated costs of leaks that have not been detected.

  Federal regulations which will take effect December 22, 1998, require all tanks to be constructed of corrosion resistant materials, or to be "cathodically protected" to prevent corrosion. It is expected that in the next two years, as tank owners inspect their tanks for compliance with the new regulations, many future claims will be filed. These future claims, per the actuarial report, will increase the costs over the next two years significantly to approximately $18.305 million.

- The State is totally self-insured against liability claims and up to $2.5 million in property claims. According to an actuarial study and other known factors, $27.511 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Administrative Services Risk Management Fund (Internal Service Fund).

- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953*, as amended, Sections 53A–28–101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guaranteed Bonds.

  In the event a school board is unable to make the scheduled debt service payments on its Guaranteed Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available monies, may use short-term borrowing from the State Permanent School Fund (Trust Lands Nonexpendable Trust Fund), or may issue short-term general obligation notes. The local school board remains liable to the State for any such payments on Guaranteed Bonds. Reimbursements to the State may be obtained by intercepting payment of State funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

  The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due.

  The State does not expect that it will be required to advance monies for the payment of debt service on Guaranteed Bonds for any significant period of time.

  As of June 30, 1998, the State has guaranteed approximately $453.325 million principal amount of Guaranteed Bonds and estimates an additional $215.410 million principal amount of such bonds may be guaranteed during calendar year 1998. The State cannot predict how many bonds may be guaranteed in future years, but no limitation is currently imposed by the Guaranty Act.

C. **Commitments**

- At June 30, 1998, the General Fund had loan and grant commitments of approximately $51.720 million ($48.780 million in loans, $2.940 million in grants).
- The State Retirement Systems (Pension Trust Fund) Investment Fund has at December 31, 1997, committed to fund certain venture capital partnerships and real estate projects for an amount of $1.088 billion. Funding of $539 million has been provided, leaving an unfunded commitment of $549 million as of December 31, 1997.
- As of June 30, 1998, the Utah Housing Finance Agency (Component Unit, Proprietary Fund Type) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of $22.910 million.
- At June 30, 1998, the Internal Service Funds had loan and grant commitments of approximately $32.317 million ($19.591 million in loans, $12.726 million in grants).
- At June 30, 1998, the Enterprise Funds had loan commitments of $144.7 thousand.
- At June 30, 1998, the Utah Higher Education Assistance Authority (Student Assistance Program, Enterprise Fund) had guaranteed student loans outstanding with an original principal amount of approximately $1.129 billion.
- At June 30, 1998, the Department of Transportation had construction and other contract commitments of $995.831 million, of which $882.542 million is for I-15 reconstruction and $113.289 million is for other Transportation Fund (Special Revenue Fund) projects. These commitments will be funded with bonded debt and future appropriations.

D. **Year 2000 Disclosures**

The State has many electronic data processing systems, applications, and equipment that are used to deliver services to the public and internally. Many electronic data processing systems and equipment have shortcomings related to the Year 2000 that may adversely affect their operations. Many programs, if not corrected, will not be able to distinguish the year 2000 from the year 1900. This may cause the programs to process data inaccurately or to stop processing data altogether. The State of Utah has been aware of this risk for several years and has been taking action to correct the problems since the early 1990's.

The State has appointed a Year 2000 (Y2K) coordinator and has developed a plan to identify computer systems and electronic equipment that is not Y2K compliant. The plan also requires monthly reporting of the progress in correcting Y2K noncompliant systems. The State has inventoried all systems, identified mission critical systems, and assessed them for Y2K compliance. Budgets and corrective actions plans have been completed. Most mission critical systems are targeted to be Year 2000 compliant by March of 1999, with the remainder targeted to be compliant by July 1, 1999. This will require completing remediation and testing of mission critical systems.

Many non-mission critical systems are Y2K compliant, while others are being addressed as resources allow. Embedded electronic equipment has been assessed for Y2K compliance and is in the process of being brought into compliance. Embedded electronic equipment in state buildings is being corrected through the equipment manufacturers and state testing and remediation.

The State's efforts to become Y2K compliant extends beyond its own internal systems. The State is actively working with vendors, suppliers, and other business partners to be certain that their systems and processes will not adversely affect the State of Utah.

The legislature has appropriated $6 million of special funding to state agencies for conversion of systems for Y2K compliance. A similar amount of additional funding will be requested. The majority of the conversion effort is being completed with agency internal data processing resources. Major system upgrades that included Y2K compliance did not separate Y2K costs.

The State's discrete component units are responsible for assessing and modifying their systems for Y2K compliance.

The State's colleges and universities (Component Units) have inventoried their systems. They are in the process of assessment and remediation. The systems that provide administrative support functions have received vendor-provided Y2K compliant upgrades and the majority have been installed. Systems that provide departmental education and research support are in various stages of the correction process which includes: upgrading old desktop computers, networks, and embedded chips in various equipment. This process will require significant funding from either legislative appropriations or from within existing college and university budgets. Funding to complete replacement and repair of mission critical systems will be requested in the 1999 legislative session.

NOTE 15. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

A. Utah State Retirement Systems

The Utah State Retirement Systems (Systems) were established by Chapter 49 of *Utah Code Annotated, 1953,* as amended. The Utah State Retirement Office administers the Systems and Plans under the direction of the Utah Retirement Board (Board), which consists of the State Treasurer and six members appointed by the Governor. The Board has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans administered by it. The Systems and Plans maintain records and accounts and prepare separately issued financial statements using fund accounting principles and the accrual basis of accounting, under which expenses, including benefits and refunds, are recorded when the liability is incurred and revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. The Board's accounting system reports on a calendar yearend. The December 31, 1997, financial report has been included in this Comprehensive Annual Financial Report as a Pension Trust Fund for the PERS. The Deferred Compensation 457 Plan is reported as an expendable trust fund. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The Systems are comprised of the following groups of plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Firefighters Retirement System, which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;
- The Public Safety Retirement System, which is a defined-benefit mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are defined-benefit single-employer public employee retirement systems; and
- The 401(k) and 457 which are defined-contribution plans.

Retirement benefits are specified by Chapter 49 of *Utah Code Annotated, 1953*, as amended. The Retirement Systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the Systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the Systems is provided in the following table:

Summary of Eligibility and Benefits

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years		Highest 2 Years
Years of Service Required and/or Age Eligible for Benefit	30 years any age 20 years age 60 10 years age 62 4 years age 65	30 years any age *25 years any age 20 years age 60 10 years age 62 4 years age 65	20 years any age 10 years age 60 4 years age 65		25 years any age *20 years age 55 10 years age 62 6 years age 70
Benefit Percent per Year of Service	1.10% to June 1967 1.25% July 1967 to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years

*With full actuarial reductions

Former governors at age 65 receive $980 per month per term, limited to two terms. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of $22 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the Systems may leave their retirement account intact for future benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some Systems are also augmented by fees, insurance premium taxes, or legislative appropriations. Below is a summary of plan participants.

Participants
December 31, 1997

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan
Number of participating:						
Employers	209	344	116	33	1	1
Members:						
Active	4,522	75,599	6,041	1,281	102	90
Terminated vested	1,464	11,957	634	48	1	86
Retirees and beneficiaries:						
Service benefits	9,513	13,223	1,877	646	73	210
Disability benefits	240	—	55	64	—	—

Employer contribution rates consist of *(1)* an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current service year) and *(2)* an amount for amortization of the unfunded actuarial accrued liability over a period representing the remainder of the original 30 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value.

The following schedule summarizes contribution rates in effect as of December 31, 1997:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00%	6.50–9.67%	—
Noncontributory	—	10.51–14.16%	—
Public Safety:			
Contributory	10.5 – 13.74%	5.62–21.82%	—
Noncontributory	—	17.09–33.68%	—
Firefighters:			
Group A	13.31%	0.0%	8.19%
Group B	16.71%	6.43%	8.19%
Judges	—	20.21%	24.11%
Governors and Legislative	—	—	—

The following table presents the State of Utah's actuarially determined employer contributions required and paid to the State Retirement Systems. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Pension Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years.

State of Utah's Employer Contributions
Required and Paid
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Total All Systems
Primary Government:						
1998	$ 5,082	$ 67,040	$ 16,106	$ 58	$ 1,899	$ 90,185
1997	$ 5,202	$ 61,782	$ 13,865	$ 44	$ 1,721	$ 82,614
1996	$ 6,554	$ 51,530	$ 12,772	$ 38	$ 1,501	$ 72,395
1995	$ 11,838	$ 45,131	$ 10,599	$ 40	$ 1,291	$ 68,899
1994	$ 10,681	$ 37,502	$ 8,590	$ 44	$ 986	$ 57,803
Component Units:						
Colleges and Universities:						
1998	$ 2,478	$ 29,214	$ 344	$ —	$ —	$ 32,036
1997	$ 2,548	$ 29,694	$ 318	$ —	$ —	$ 32,560
1996	$ 3,066	$ 25,751	$ 97	$ —	$ —	$ 28,914
1995	$ 4,556	$ 22,457	$ 65	$ —	$ —	$ 27,078
1994	$ 4,260	$ 19,388	$ 48	$ —	$ —	$ 23,696
Proprietary Type Funds:						
1998	$ 130	$ 1,989	$ —	$ —	$ —	$ 2,119
1997	$ 122	$ 1,756	$ —	$ —	$ —	$ 1,878
1996	$ 149	$ 1,297	$ —	$ —	$ —	$ 1,446
1995	$ 152	$ 950	$ —	$ —	$ —	$ 1,102
1994	$ 149	$ 823	$ —	$ —	$ —	$ 972
Total Primary Government and Component Units:						
1998	$ 7,690	$ 98,243	$ 16,450	$ 58	$ 1,899	$ 124,340
1997	$ 7,872	$ 93,232	$ 14,183	$ 44	$ 1,721	$ 117,052
1996	$ 9,769	$ 78,578	$ 12,869	$ 38	$ 1,501	$ 102,755
1995	$ 16,546	$ 68,538	$ 10,664	$ 40	$ 1,291	$ 97,079
1994	$ 15,090	$ 57,713	$ 8,638	$ 44	$ 986	$ 82,471

401(k) and 457 Defined-Contribution Plans

The 401(k) Plan and 457 Plan administered by the Retirement Board in which the State participates are defined-contribution plans. These Plans are available as supplemental plans to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) and 457 Plans. Voluntary contributions may be made into the Plans subject to Plan and Internal Revenue Code limitations. Employer contributions may be made into the Plans at rates determined by the employers. There are 285 employers participating in the 401(k) Plan and 153 employers participating in the 457 Plan. There are 104,844 employees and retirees of those employers who are members of the 401(k) Plan and 8,788 who are members of the 457 Plan.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances. The 401(k) and 457 Deferred Compensation Plans account balances are fully vested to the participants at time of deposit. Investments of the plans are reported at fair value. No single investment of the Plan constitutes 5 percent or more of the total plan assets.

Employees of the State are eligible to participate in the deferred compensation 401(k) Plan. The State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 1998, by employees and employers are as follows: for Primary Government, $22.703 million and $7.506 million; for Component Units – Colleges and Universities, $1.596 million and $3.050 million; for Component Units – Proprietary, $736 thousand and $213 thousand; and the combined total for all is $25.035 million and $10.769 million, respectively.

Pension Plan Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 11 percent of the net assets held in trust for the pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The Systems have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the Systems' net assets available for benefits. The Principal Components of the receivables and investment categories are presented below.

Pension Receivables and Investments
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan	Retirement Investment Fund	Total December 31, 1997
Receivables:								
Member Contributions	$ 437	$ —	$ 196	$ 364	$ 1	$ —	$ —	$ 998
Employer Contributions	623	18,080	1,664	1,879	406	—	—	22,652
Investments	—	—	—	—	—	—	79,592	79,592
Total Receivables	$ 1,060	$ 18,080	$ 1,860	$ 2,243	$ 407	$ 0	$ 79,592	$ 103,242
Investments:								
Bonds	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,406,441	$ 2,406,441
Equity Investments	—	—	—	—	—	—	7,232,103	7,232,103
Venture Capital	—	—	—	—	—	—	493,988	493,988
Real Estate	—	—	—	—	—	—	1,056,026	1,056,026
Mortgage Loans	—	—	—	—	—	—	3,969	3,969
Equity in Investment Fund	942,432	7,694,248	968,983	418,939	65,891	10,530	(10,101,023)	0
Total Investments	$ 942,432	$ 7,694,248	$ 968,983	$ 418,939	$ 65,891	$ 10,530	$ 1,091,504	$ 11,192,527

Actuarial Methods And Assumptions

The latest actuarial valuation and study was dated January 1, 1997. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems in their separately presented financial reports based on the report generated by that study conducted by Watson Wyatt & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's excess or shortfall being recognized each year, beginning with the current year. Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the actuarial accrued liability and funding ratios for five valuation dates.

	Contributory	Noncontributory	Public Safety	Firefighters	Judges	Governors and Legislative
Valuation Date	1/1/97	1/1/97	1/1/97	1/1/97	1/1/97	1/1/97
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Dollar Amount
Remaining Amortization Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:						
Investment rate of return	8%	8%	8%	8%	8%	8%
Projected salary increases	4.25–14.75%	4.25–14.75%	4.25–10.25%	4.25–13.25%	5.50%	none
Inflation rate	4.00%	4.00%	4.00%	4.00%	4.00%	none
Post-retirement cost-of-living adjustment (Note below)	4.00%	4.00%	2.50%	4.00%	4.00%	4.00%
Funding Progress – Actuarial Accrued Liability (In thousands):						
January 1, 1994	$ 1,099,162	$ 4,624,515	$ 627,358	$ 279,084	$ 45,631	$ 6,116
January 1,1995	$ 1,176,222	$ 5,205,873	$ 691,107	$ 307,459	$ 49,830	$ 6,606
January 1, 1996	$ 992,374	$ 6,032,412	$ 771,150	$ 333,432	$ 55,952	$ 6,853
January 1, 1997	$ 868,723	$ 6,917,958	$ 866,504	$ 362,411	$ 60,055	$ 7,020
December 31, 1997	$ 883,376	$ 7,532,404	$ 937,083	$ 390,256	$ 65,873	$ 7,060
Funding Ratios:						
January 1, 1994	82.9%	87.3%	88.5%	87.2%	77.8%	125.6%
January 1, 1995	82.0%	84.0%	86.4%	85.1%	77.7%	118.1%
January 1, 1996	85.9%	85.1%	87.0%	88.1%	79.2%	119.4%
January 1, 1997	89.0%	86.3%	87.1%	90.9%	84.5%	123.0%
December 31, 1997	94.3%	91.6%	92.5%	96.4%	90.1%	132.0%

Note: All post retirement cost-of-living adjustments are noncompounding and are based on the original benefit, except for Judges which is a compounding benefit. The cost-of-living adjustments are also limited to the actual CPI increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

B. **Teachers Insurance and Annuity Association**

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA–CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university and applied technology center faculty. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

The following table presents the State of Utah's actual employer contributions to the TIAA–CREF retirement system:

State of Utah's Employer Contributions
For the Years Ended June 30, 1997 and 1998
(Expressed in Thousands)

	Contribution Required and Paid 1997	Contribution Required and Paid 1998
Primary Government	$ 522	$ 561
Component Units:		
College and University	55,838	59,491
Total	$ 56,360	$ 60,052

C. **Travelers Insurance Retirement Plan**

There are 168 employees of the Department of Workforce Services (General Fund) participating in the Travelers Insurance Plan, which is a deposit fund administered retirement plan. The employer payments are fully funded through federal revenues from the U.S. Department of Labor.

The contribution is 12.09 percent of the employee's annual salary, of which 3.05 percent is paid by the employee, 3.95 percent is paid by the employer for the employee, and 5.09 percent is paid by the employer. The employer is also contributing to prior service costs. Retirement benefits are computed using salary, age, and years of service.

According to the latest periodic actuarial valuation on January 1, 1998, the present value of future retirement benefits is $157,961 million, and the unfunded liability is $12.983 million. Net assets available for benefits are $139.020 million. The unfunded liability represents cost-of-living increases on benefits. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.50 percent for 1998 and 1997.

The State of Utah's actual current year employer contributions, including prior year service costs, to the Travelers Retirement Plan from the General Fund in fiscal years ended June 30, 1998 and 1997, were $1.909 million and $2.591 million, respectively.

NOTE 16. DEFERRED COMPENSATION 457 PLAN

As of June 30, 1998, there are three colleges and universities and the Office of Education that have deferred compensation plans available to employees that are administered by a third party which have not yet been amended to comply with the requirements of IRC Section 457, subsection (g). Deferred compensation plans permit employees to defer a portion of their salary until future years. The amounts for these three colleges and universities total $14.823 million and are reported in the college and university financial statements. The amount in the Office of Education's plan totals $2.699 million and is reported in the State's Agency Funds.

There are no funding requirements in the deferred compensation plans other than the deposit of deferred compensation or voluntary contributions for the employee by the employer. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the plans, as well as assets acquired and income earned by the plans, is held as agency funds for the respective employers and does not belong to the member participants until the funds are distributed to them. Until that time, the funds remain assets of the respective employers and are available to the general creditors of these employers. Participants' rights under the plans are equal to those of general creditors of the respective employers in an amount equal to the fair value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State and the colleges and universities have no liability for losses under the plans but do have the duty to exercise the due care that would be required of an ordinary prudent investor. The State and the colleges and universities believe that it is unlikely that they will use the plans' assets to satisfy the claims of general creditors in the future.

NOTE 17. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered a retirement incentive program, as set forth in Section 67–19–14(2) of the *Utah Code Annotated, 1953,* as amended. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage. As of June 30, 1998, there were 1,028 individuals on the program. The insurance coverage is paid 100 percent by the State.

The State has estimated a liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. The liability for postemployment benefits and compensated absences of $202.759 million is fully funded from accrued taxes, with the ongoing payments being charged to state agencies as benefits are earned. For the year ended June 30, 1998, the postemployment benefits portion of the cumulative liability was $123.323 million. In fiscal year 1998, $18.491 million in expenditures were recognized.

All employers who participate in the State Retirement Systems are eligible to participate in the Public Employees Long-Term Disability Program per Section 49–9–203 of the *Utah Code Annotated, 1953,* as amended. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three month waiting period and are paid 100 percent by the program. As of June 30, 1998, there are 278 state employees receiving benefits. The program is funded by paying premiums to the Employees Group Insurance Fund (Internal Service Fund), where assets are set aside for future payments. For the year ended June 30, 1998, the State paid $3.035 million in premiums and the program has $64.445 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 55–60 years of age with a minimum of 15–20 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5–10 years. The ranges for incentive and stipend pay are from 14.28 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 1998, there are 410 individuals participating in the programs, and $4.221 million was expended during the year.

NOTE 18. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management and Employees Group Insurance Funds (Internal Service Funds). The Risk Management Fund manages the general property and liability risk of the State, and the Employees Group Insurance Fund manages the health insurance programs of the State. The University of Utah and Utah State University (Colleges and Universities – Component Units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self-insurance funds to manage auto/physical damage, and malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverages for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Employees Group Insurance Funds. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Employees Group Insurance Fund claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. An annual actuarial study is also performed, and estimated liabilities are determined to 80 percent certainty.

The State covers its workers' compensation risk by purchasing insurance from The Workers' Compensation Fund of Utah (Component Units – Proprietary Funds). The University of Utah and Utah State University report claim liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 1997, and June 30, 1998:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
1997	$ 36,334	$ 3,502	$ 3,565	$ 36,271
1998	$ 36,271	$ 5,632	$ 5,672	$ 36,231
Employees Group Insurance:				
1997	$ 48,945	$ 155,301	$ 154,274	$ 49,972
1998	$ 49,972	$ 155,697	$ 154,071	$ 51,598
College and University Self-Insurance:				
1997	$ 10,473	$ 55,839	$ 54,321	$ 11,991
1998	$ 11,991	$ 63,416	$ 59,935	$ 15,472

The Workers' Compensation Fund of Utah (Component Units – Proprietary Funds) cedes reinsurance to other insurance companies to limit the exposure arising from large losses. It retains liability on the first $2 million of each loss, while reinsurers are liable between $2 million and $10 million on individual claims (up to an annual aggregate of $10 million) and up to $55 million on occurrences involving multiple claimants.

NOTE 19. SUBSEQUENT EVENTS

On July 1, 1998, the State issued $265 million of general obligation bonds: $55 million will be used for building projects, and $210 million will be used to retire a portion of the 1997AB Bond Anticipation Notes issued in 1997 for highway construction projects. The building bonds mature from the year 2001 to 2003 and carry an interest rate of 5.0 percent. The highway bonds mature from the year 2001 to 2012 and carry an interest rate of 5.0 percent.

On July 1, 1998, the State Building Ownership Authority issued $25.710 million of lease revenue bonds. The proceeds will be used to construct and purchase a number of buildings throughout the State for use by various state agencies. The bonds will mature from the year 1999 to 2020 and carry interest rates which range from 3.75 percent to 4.9 percent.

On July 1, 1998, the State Building Ownership Authority issued $23.091 million capital appreciation lease revenue bonds. The proceeds will be used to construct a portion of a student housing project at the University of Utah which, when completed, will also serve as the Athlete's Village for the 2002 Winter Olympic Games. The bonds mature on May 15, 2005, and have an approximate yield to maturity of 4.65 percent. The Salt Lake Olympic Organizing Committee has pledged certain of its own revenues from the 2002 Winter Games as collateral for payment of all principal of and interest on the bonds when such becomes due in the year 2005.

On August 15, 1998, the State Building Ownership Authority issued $105.100 million of lease revenue refunding bonds. The proceeds will be used to advance refund $105.615 million of outstanding lease revenue bonds series 94A, 95A and 96A. The refunding bonds mature from the year 2000 to 2019 and carry interest rates which range from 3.8 percent to 5.5 percent.

Subsequent to June 30, 1998, the Utah Housing Finance Agency also issued $50 million Single-Family Mortgage Purchase Bonds, 1998 Series E and Series F, maturing in 2005 through 2030, at interest rates of 3.65 percent to 5.84 percent.

Subsequent to June 30, 1998, the Board of Regents Student Loan Purchase Program issued Student Loan Revenue Bonds under the authority of the 1993 Revenue Bonds General Indenture, Third Supplemental Indenture in the amount of $109.875 million, dated August 15, 1998. The bonds are special obligation bonds of the Board and are secured, as provided by the indentures, by all assets of the 1993 Revenue Bond Fund and revenues and receipts derived from such assets.

On July 1, 1998, Employees Group Insurance (Internal Service Fund) reported that the Utah Local Governments Trust (the Trust) has elected to become self-insured and consequently will no longer be participating in the Fund. The Trust will continue to use Employees Group Insurance as a Third Party Administrator to process all their claims. In association with this change in the relationship, Employees Group Insurance will remit all related reserves back to the Trust. As of August 28, 1998, Employees Group Insurance has remitted approximately $1.2 million to the Trust. However, the final settlement with the Trust has not been made.

On July 8, 1998, Dixie College refunded the Student Activity Center bonds with a $2.815 million bond payable through May 1, 2010, at interest rates of 3.7 percent to 4.85 percent.

On August 3, 1998, Southern Utah University entered into a Real Estate Purchase Agreement with the Iron County School District to purchase approximately 16 acres located directly north of the existing campus. The purchase price for the property is $8.0 million (4.6 million at date of agreement and installments of 1.7 million each on July 31, 1999, and July 31, 2000). The property is intended to be used for construction of a new physical education building and relocation of other academic programs. Iron County School District (Cedar Middle School) will continue to use the property during the payment period.

Subsequent to June 30, 1998, the University of Utah acquired from Medical Partners, Inc., and PacifiCare, a medical group practice and related buildings, equipment, inventory, accounts, receivable, goodwill, and existing contractual relationships between PacifiCare and certain of its members for approximately $37.266 million.

On July 1, 1998, the University of Utah issued $120.24 million of Auxiliary and Campus Facilities System Revenue and Refunding Bonds, Series 1998A. The Proceeds will be used for the construction of new student housing complexes. The complexes will serve as the athlete's village during the 2002 Winter Olympic Games. The proceeds will also be used to advance refund a portion of the Auxiliary and Campus Facilities Revenue Bonds, Series 1997A in the amount of approximately $17.0 million.

The University of Utah also received approval from the Utah State Legislature to issue revenue bonds in the amount of $18.5 million for two parking structures, $5.1 million for expansion of the Eccles Broadcast Center, and $23.3 million for the acquisition, construction, and remodeling of several healthcare facilities.

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STATE OF UTAH

COMBINING STATEMENT OF PLAN NET ASSETS
DEFINED BENEFIT PENSION PLANS AND
OTHER PENSION TRUST FUNDS

June 30, 1998 (Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System
Assets				
Cash and Cash Equivalents	$ 2	$ 36	$ 14	$ 2
Receivables:				
Member Contributions	437	—	196	364
Employer Contributions	623	18,080	1,664	1,879
Investments	—	—	—	—
Total Receivables	1,060	18,080	1,860	2,243
Investments:				
Bonds	—	—	—	—
Equity Investments	—	—	—	—
Venture Capital	—	—	—	—
Real Estate	—	—	—	—
Mortgage Loans	—	—	—	—
Investment Contracts	—	—	—	—
Equity in Investment Fund	942,432	7,694,248	968,983	418,939
Total Investments	942,432	7,694,248	968,983	418,939
Fixed Assets:				
Land	—	—	—	—
Buildings and Improvements	—	—	—	—
Machinery and Equipment	—	—	—	—
Accumulated Depreciation	—	—	—	—
Total Fixed Assets	0	0	0	0
Total Assets	943,494	7,712,364	970,857	421,184
Liabilities				
Vouchers Payable	—	—	—	—
Securities Lending Liability	—	—	—	—
Total Liabilities	0	0	0	0
Fund Balances				
Employee Deferred Compensation	—	—	—	—
Insurance, Administration, and Other Reserves	—	—	—	—
Reserved For Pension Benefits	943,494	7,712,364	970,857	421,184
Total Fund Balances	$ 943,494	$ 7,712,364	$ 970,857	$ 421,184

Judges System	Governors and Legislative Pension Plan	Deferred Compensation 401(k) Plan	Retirement Investment Fund	Total June 30, 1998
$ 1	$ 1	$ 4,793	$ 113,713	$ 118,562
1	—	—	—	998
406	—	—	—	22,652
—	—	1,955	79,592	81,547
407	0	1,955	79,592	105,197
—	—	—	2,406,441	2,406,441
—	—	503,993	7,232,103	7,736,096
—	—	—	493,988	493,988
—	—	—	1,056,026	1,056,026
—	—	—	3,969	3,969
—	—	293,520	—	293,520
65,891	10,530	—	(10,101,023)	0
65,891	10,530	797,513	1,091,504	11,990,040
—	—	—	1,000	1,000
—	—	—	3,864	3,864
—	—	—	4,101	4,101
—	—	—	(4,142)	(4,142)
0	0	0	4,823	4,823
66,299	10,531	804,261	1,289,632	12,218,622
—	—	1,270	26,321	27,591
—	—	—	1,223,260	1,223,260
0	0	1,270	1,249,581	1,250,851
—	—	802,129	—	802,129
—	—	862	40,051	40,913
66,299	10,531	—	—	10,124,729
$ 66,299	$ 10,531	$ 802,991	$ 40,051	$ 10,967,771

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APPENDIX C

DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH

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GENERAL INFORMATION

This appendix has been summarized from certain information which is contained in the *1999 Economic Report to the Governor* (the "ERG"). *However, the Governor's Office of Planning and Budget ("GOPB") has updated the various sections contained in this appendix with the latest information available.* The ERG is prepared by the Demographic and Economic Analysis Section of the GOPB. Among other functions, the GOPB is to serve as the lead agency for the U.S. Census Bureau's State Data Center Program. Much of the economic data in ERG has been generated by members of the State Council of Economic Advisors. A complete copy of the ERG may be obtained from the internet at http://www.governor.state.ut.us/dea/Publications/publications.html, or by contacting GOPB, 801.538.1027, fax 801.538.1547, email–lward@gov.state.ut.us.

The State maintains many internet sites. Several sites are indicated below and may be accessed at the following internet addresses:

State	http://www.state.ut.us
State Treasurer	http://www.treasurer.state.ut.us
Division of Finance	http://www.finance.state.ut.us
Governor's Office of Planning and Budget	http://www.governor.state.ut.us/gopb
Governor's Office	http://www.governor.state.ut.us
DFCM	http://www.dfcm.state.ut.us

*The information available at the internet sites shown above is provided by the State in the course of its normal operations and has **not** necessarily been reviewed for accuracy or completeness. Such information has **not** been provided in connection with the offering of the 1999A Bonds and is not a part of this OFFICIAL STATEMENT.*

TOPOGRAPHICAL INFORMATION

On January 4, 1896, the State became the forty–fifth state of the United States of America. Ranking eleventh among the states in total area, the State contains approximately 82,168 square miles. It ranges in elevation from a low of 2,500 feet above sea level in the south, to a high of 13,500 feet above sea level in the north. The State is located in an arid region (precipitation ranks as the second lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. As of March 1999, land ownership in the State was distributed as 64.1% Federal, 8.0% State, and 27.9% other (American Indian Reservation, Municipal, State Sovereign Lands, and Private).

ECONOMIC INDICATORS

Demographics

Although the size of the State's population is still relatively small in comparison to other states, the growth, composition, and distribution of the population is unique. The State's population grows more rapidly, is younger, lives longer, has larger household sizes, and is more urban than the national average. Changes are occurring, however, as the population becomes older, household formation becomes less oriented toward married couple families and the population becomes more racially and ethnically diverse. Further, the concentration of the population continues to spread to counties close to the metropolitan areas and to counties in the Southwest region of the State.

State Population

Year	Population	% Change From Prior Period
1998 Estimate (1)	2,083,238	1.7%
1997 Estimate (1)	2,048,753	2.3
1996 Estimate (1)	2,002,400	2.2
1995 Estimate (1)	1,959,351	2.3
1994 Estimate (1)	1,916,000	2.7
1993 Estimate (1)	1,866,000	2.4
1992 Estimate (1)	1,822,000	2.7
1991 Estimate (1)	1,775,000	2.7
1990 Census	1,722,850	17.9
1980 Census	1,461,037	37.9
1970 Census	1,059,273	18.9
1960 Census	890,627	29.3
1950 Census	688,862	25.2
1940 Census	550,310	8.1

(1) As of July 1, of each year.

(Sources: U.S. Department of Commerce, Bureau of the Census and the Utah Population Estimates Committee.)

Components of Population Change in the State

Fiscal Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
1998	44,126	11,648	32,478	2,007	34,485
1997	42,512	11,249	31,263	15,090	46,353
1996	40,495	11,001	29,494	13,555	43,049
1995	39,064	10,581	28,483	14,868	43,351
1994	37,623	10,411	27,212	22,788	50,000
1993	36,738	10,055	26,683	17,317	44,000
1992	36,796	9,559	27,237	19,763	47,000
1991	36,194	9,429	26,765	19,235	46,000
1990	35,830	9,123	26,707	(3,707)	23,000
1989	35,439	9,084	26,355	(10,355)	16,000

(Sources: Utah Population Estimates Committee, Utah Bureau of Health Statistics, and Utah Population Database (partially funded by the Huntsman Cancer Institute).)

Significant Characteristics of the State's Population

Category	Ranking	Comments
State population (1997)	Ranked as the thirty–fourth state	out of 50 states
age (under five years old)	Ranked highest in the U.S.	9.5%
age (five to 17)	Ranked highest in the U.S.	23.95%
age (18 to 64)	Ranked 2nd lowest in the U.S.	57.8%
age (over age 65)	Ranked 2nd lowest in the U.S.	8.87
Median age (1997)	Ranked youngest in the U.S.	26.9 years
Fertility rate (1998)	Ranked highest in the U.S.	2.60 births/woman
Birth rate (1997)	Ranked highest in the U.S.	21.3 births/1,000 population
Death rate (1997)	Ranked 2nd lowest in the U.S.	5.5 deaths/1,000 population
Dependency ratio (1997)	Ranked 2nd highest in the U.S.	72.9 per 100 of working age
Population in metropolitan areas (1996)	Ranked 21st highest in U.S.	77.1%
Household size (1996)	Ranked largest in the U.S.	3.15 persons/household

(Sources: U.S. Bureau of the Census and GOPB)

Employment, Wages And Labor Force

The State's employment growth rate slowed again in 1998. Expansion in the number of nonfarm jobs, at 3.0% in 1998, is down some from the 1997 rate of 4.2%. During the recent expansion, the State's annual employment expansion peaked at 6.2% in 1994. Last year (1998) is the eleventh in the series of consecutive annual job expansions of 3% or greater. The longest previous string since 1950 was only four years. In 1998, the State added 29,400 net new jobs. The State's unemployment rate climbed to 3.7% in 1998 from 3.1% in 1997. The average annual wage increase for the State's nonfarm jobs in 1998 was 4.2%.

Current Unemployment Rates

Current Unemployment Rate (1)	State	U.S.
April 1999	3.0%	4.3%
April 1998	4.0%	4.3%

(1) Seasonally adjusted.

(Source: Utah Department of Workforce Services, Workforce Information.)

Average Annual Employment and Unemployment Rate for Utah and the U.S.

	Utah		Unemployment Rate		Utah Unemployment Rate as % of
Year	Civilian Labor Force	Total Employed	Utah	U.S.	U.S. Average
1999 (f)	1,115,000	1,071,000	3.9%	4.7%	83%
1998 (p)	1,080,000	1,040,000	3.7	4.5	83
1997 (r)	1,040,000	1,007,700	3.1	4.9	63
1996	1,008,400	973,400	3.5	5.4	65
1995	986,600	951,400	3.6	5.6	64
1994	974,500	938,000	3.7	6.1	61
1993	917,000	879,800	3.9	6.9	57
1992	915,900	821,400	5.0	7.5	67
1991	864,800	800,900	5.0	6.8	74
1990	842,800	781,000	4.3	5.6	77

(f) forecast. (p) preliminary. (r) revised

(Source: Utah Department of Workforce Services, Workforce Information.)

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Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

Selected Years

	1999 (f)	1998 (p)	1997 (r)	1996 (r)	1995	1994	1993	% Change 98–99	% Change 97–98	% Change 96–97	% Change 95–96	% Change 94–95	% Change 93–94
Civilian labor force (thousands).....	1,115.0	1,080.0	1,040.0	1,008.4	986.6	974.5	915.9	3.2	3.8	3.1	2.2	1.2	6.4
Employed..................................	1,071.0	1,040.0	1,007.7	973.4	951.4	938.0	879.8	3.0	3.2	3.5	2.3	1.4	6.6
Unemployed..............................	44.0	40.0	32.3	35.0	35.2	36.5	36.1	10.0	23.8	(7.7)	(0.6)	(3.6)	1.1
Unemployment rate....................	3.9%	3.7%	3.1%	3.5%	3.6%	3.7%	3.9%	5.4	19.4	(11.4)	(2.8)	(2.7)	(5.1)
Nonagricultural jobs (thousands)....	1,048.6	1,023.4	994.0	954.2	908.0	859.7	809.7	2.5	3.0	4.2	5.1	5.6	6.2
Mining.......................................	8.0	8.1	8.3	7.9	8.1	8.3	8.3	(1.2)	(2.4)	5.1	(2.5)	(2.4)	0.0
Construction..............................	68.5	67.4	64.5	60.3	54.8	48.2	39.7	1.6	4.5	7.0	10.0	13.7	21.4
Manufacturing...........................	135.4	134.0	132.9	129.2	123.9	116.7	110.5	1.0	0.8	2.9	4.3	6.2	5.6
Trans., Comm., & Util.	60.2	58.3	56.0	54.0	51.5	49.4	47.1	3.3	4.1	3.7	4.9	4.3	4.9
Trade...	248.4	243.6	238.3	230.2	220.1	205.4	191.5	2.0	2.2	3.5	4.6	7.2	7.3
Finance, Ins., & Real Estate........	56.0	54.8	52.6	50.5	47.7	45.9	41.4	2.2	4.2	4.2	5.9	3.9	10.9
Services.....................................	291.0	281.1	269.7	255.5	238.3	224.4	211.8	3.5	4.2	5.6	7.2	6.2	5.9
Government...............................	181.1	176.1	171.8	166.5	163.6	161.4	159.4	2.8	2.5	3.2	1.8	1.4	1.3
Nonagricultural wages (millions)...	$28,932	$27,062	$25,215	$23,089	$21,096	$19,262	$17,711	6.9	7.3	9.2	9.4	9.5	8.8
Average monthly wage..................	$27,581	$26,434	$25,367	$24,198	$23,234	$22,405	$21,872	4.3	4.2	4.8	4.1	3.7	2.4

(f) forcast; (p) preliminary; (r) revised

Source: Utah Department of Employment Security.

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
State of Utah	State Government	20,500
Brigham Young University	Higher Education	16,000
University of Utah (Including Hospital)	Higher Education	16,000
Hill Air Force Base	Military Installation	9,000
Granite School District	Public Education	8,000
Jordan School District	Public Education	7,500
Davis County School District	Public Education	6,500
Morton International	Motor Vehicle Parts	6,500
Utah State University	Higher Education	6,500
Smith's Foods and Drug Centers	Food Distribution	6,000
U.S. Post Office	Mail Distribution	6,000
Matrixx Marketing	Telemarketing	5,500
Salt Lake County	County Government	5,000
Wal–Mart Stores	Variety Store	5,000
Albertson's	Food Distribution	4,500
Alpine School District	Public Education	4,500
Delta Airlines Inc	Air Transportation	4,500
ZCMI	Department Store	4,500
IHC Hospitals	Health Care Provider	4,000
Salt Lake City School District	Public Education	4,000
U.S. Treasury Department (Internal Revenue Service)	Federal Government	4,000
Icon Health & Fitness	Sporting/Athletic Goods	3,500
LDS Hospital (and IHC facility)	Hospital	3,500
Thiokol Corporation	Aerospace	3,500
United Parcel Service	Postal Service	3,500
K–Mart Corporation	Variety Store	3,000
PacifiCorp	Electricity	3,000
Salt Lake City	City Government	3,000
U.S. West Communications	Communications	3,000
Weber County School District	Public Education	3,000
First Security Bank, National Association	Banking	2,500
Geneva Steel	Steel Manufacturing	2,500
J.C. Penney Company	Department Store	2,500
Kennecott Copper	Copper, Mining	2,500
Novell	Computer Software	2,500
Sears Roebuck & Co.	Retail Merchandise	2,500
Super Target Stores	Retail Merchandise/Food	2,500
Unibase Data Entry	Data Entry Service	2,500
Utah Valley Regional Medical Center (an IHC facility)	Hospital	2,500
Zions First National Bank	State Banking	2,500
Alliant Tech Systems	Aerospace	2,000
CR England & Sons	Trucking	2,000
Fred Meyer	Food/Department Stores	2,000
McKay Dee Hospital (an IHC facility)	Hospital	2,000
Nebo School District	Public Education	2,000
Pizza Hut	Restaurant	2,000
Primary Children Medical Center (an IHC facility)	Hospital	2,000
Provo City School District	Public Education	2,000
Salt Lake Community College	Higher Education	2,000
Shopko	Drug and Variety Stores	2,000

(1) Approximate employment as of December 1997. Includes those firms with 2,000 and more employees. The Church of Jesus Christ of Latter–day Saints ("LDS") remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: Utah Department of Workforce Services, Workforce Information.)

Personal Income

The State's 1998 total personal income of $44.3 billion is up 6.3% from the 1997 total. The State's 1998 total personal income increased considerably faster than the U.S. growth of 4.8%. The State's 1998 per capita income is an estimated $21,200, an increase of 4.7% over the 1997 estimate. The State's 1997 per capita income ranks 43rd among the states. It is 80% of the U.S. average.

Total Personal Income (in millions)

	Utah		United States	
Year	Amount	% Change	Amount	% Change
1999 (f)	$47,000	6.1%	$7,372,744	3.9%
1998 (p)	44,300	6.3	7,096,000	4.8
1997	41,689	7.4	6,770,709	5.6
1996	38,825	8.2	6,408,990	5.8
1995	35,897	8.7	6,060,138	5.6
1994	33,021	7.8	5,741,050	5.0
1993	30,624	8.2	5,469,485	4.4
1992	28,303	7.6	5,239,364	5.9
1991	26,302	7.0	4,947,591	3.5
1990	24,586	8.9	4,778,306	6.6

(f) forecast; (p) preliminary

(Sources: U.S. Department of Commerce, and GOPB. April 1999)

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Components of State Total Personal Income

	(in millions)				
	1997 (p)	1997 % of Total	% change 1996–97	1996 (r)	1995 (r)
Total Personal Income	$41,689	100.0%	7.4%	$38,825	$35,897
Total Earnings by Place of Work	32,613	78.2	8.2	30,134	27,896
Less Personal Cont. for Social Insurance	2,160	5.2	8.6	1,989	1,848
Plus Residential Adjustment	7	0.0	–	5	(5)
Equals: Earnings by Residence	30,460	73.1	8.2	28,151	26,043
Plus Dividends, Interest and Rent	5,525	13.3	5.7	5,228	4,708
Plus Transfer Payments	5,705	13.7	4.7	5,446	5,146
Components of Earnings	32,613	78.2	8.2	30,134	27,896
Wages and Salaries	26,650	63.9	8.9	24,461	22,417
Other Labor Income	2,717	6.5	2.9	2,641	2,655
Proprietors' Income	3,245	7.8	7.0	3,032	2,824
Farm Proprietors' Income	90	0.2	12.5	80	79
Nonfarm Proprietors' Income	3,155	7.6	6.9	2,952	2,746
Earnings by Industry	32,613	78.2	8.2	30,134	27,897
Farm	190	0.5	9.8	173	172
Nonfarm	32,423	77.8	8.2	29,961	27,725
Private Sector	27,069	64.9	8.5	24,942	22,945
Agriculture Services	130	0.3	10.5	117	102
Mining	453	1.1	8.2	419	418
Construction	2,606	6.3	9.6	2,379	2,149
Manufacturing	4,837	11.6	6.9	4,526	4,214
Durable goods	3,410	8.2	5.3	3,238	3,027
Nondurable goods	1,426	3.4	10.8	1,287	1,188
Transportation and Public Utilities	2,424	5.8	7.5	2,254	2,125
Wholesale Trade	1,872	4.5	7.1	1,747	1,581
Retail Trade	3,549	8.5	9.7	3,235	2,986
Finance, Insurance, Real Estate	2,414	5.8	9.6	2,203	1,961
Services	8,786	21.1	9.0	8,062	7,409
Government	5,353	12.8	6.7	5,020	4,780
Federal, Civilian	1,320	3.2	5.2	1,254	1,269
Military	254	0.6	(0.5)	256	255
State	1,612	3.9	7.7	1,496	1,376
Local	2,167	5.2	7.6	2,013	1,880

(p) preliminary; (r) revised.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, and Governor's Office of Planning and Budget. September 1998)

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Per Capita Personal Income

Year	Income Per Capita Utah	Income Per Capita U.S.	Annual % Change Utah	Annual % Change U.S.	Utah as a % of U.S.
1997	$20,246	$25,298	5.2%	4.7%	80.0%
1996	19,244	24,169	5.8	4.8	79.6
1995	18,182	23,063	6.2	4.6	78.8
1994	17,122	22,056	4.8	3.9	77.6
1993	16,336	21,220	5.1	3.3	77.0
1992	15,546	20,546	4.7	4.7	75.7
1991	14,847	19,624	4.5	2.4	75.7
1990	14,213	19,156	7.4	5.5	74.2
1985	11,017	14,410	5.8	6.3	76.5
1980	8,021	10,062	7.9	10.4	79.7

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis)

Gross State Product

Gross State Product ("GSP") is the market value of final goods and services produced by the labor and property located in a State. It is the regional counterpart to the national Gross Domestic Product ("GDP"). Conceptually, GSP is gross output less intermediate inputs. The Bureau of Economic Analysis ("BEA") has recently released its estimates of GSP for 1995 and 1996 and revised estimates for 1977–1994. In these estimates, the State ranks first among states in the year over growth rate of real GSP from 1995 to 1996, with an 8.3% growth rate.

Total Gross State Product
(in millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
1996	$50,352	10.5%	$7,631,022	5.6%
1995	45,554	8.4	7,228,287	5.2
1994	42,007	10.2	6,868,041	6.6
1993	38,129	8.3	6,440,030	5.0
1992	35,193	5.7	6,133,012	5.1
1991	33,283	7.2	5,835,219	3.1
1990	31,061	9.5	5,659,801	5.5
1985	24,401	9.0	4,126,738	7.2
1980	15,457	11.7	2,721,520	9.0

(Source: U.S. Department of Commerce, Bureau of Economic Analysis.)

Utah Gross State Product and Share of Industry (millions of current dollars)

Industry	1996	GSP (1)	1990	GSP (1)	1985	GSP (1)
Total	$50,352	100%	$31,061	100%	$24,401	100%
Private Industries	42,969	85	25,631	83	20,131	83
Agriculture, Forestry, Fish	583	1	502	2	348	1
Mining	1,620	3	1,539	5	1,262	5
Construction	2,858	6	1,244	4	1,308	5
Manufacturing	7,051	14	4,588	15	3,570	15
Durable Goods	4,578	9	3,166	10	2,597	11
Nondurable Goods	2,473	5	1,422	5	974	4
TCU	4,400	9	3,066	10	2,743	11
Wholesale Trade	3,094	6	1,842	6	1,540	6
Retail Trade	5,167	10	2,928	9	2,469	10
FIRE	8,304	16	4,159	13	3,363	14
Services	9,892	20	5,763	19	3,527	14
Government	7,383	15	5,430	17	4,270	17

TCU means transportation, communication and utilities. FIRE means finance, insurance and real estate.

(1) Percent share of Gross State Product ("GSP").

(Source: U.S. Department of Commerce, Bureau of Economic Analysis)

Gross Taxable Sales

In 1998, taxable sales rebounded as expected at a 7% increase. Taxable sales in 1997 rose less than 4%, following four years of 10% to 12% yearly growth rates. Due to lower prices, nominal taxable sales will slow to around 5% in 1999. Taxable sales can be dissected into three major components: (1) Retail Trade at $15.6 billion, which represents about 54% of taxable sales, increased by less than 5% in 1998, better than the 3.3% rate in 1997; (2) Taxable Business Investment and Utility Sales at $7.8 billion, represents 27% of taxable sales, and grew just under 10% in 1998; and (3) Taxable Services, which grew to $4.1 billion in 1998 and represent 14% of taxable sales, rebounded over 9% in 1998.

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Gross Taxable Sales

(millions of dollars)

Calendar Year	Retail Sales	% Change	Business Investment Purchases	% Change	Taxable Services	% Change	All Other	% Change	Total Gross Taxable Sales	% Change
1999 (f).....	$16,348	5.0 %	$7,992	3.6 %	$4,388	7.8 %	$ 1,489	3.5 %	$ 30,217	5.0 %
1998 (e).....	15,564	4.6	7,713	9.5	4,069	9.3	1,439	21.1	28,785	7.3
1997..........	14,873	3.3	7,044	2.4	3,724	3.6	1,188	22.7	26,828	3.8
1996..........	14,404	10.1	6,878	10.4	3,594	12.1	968	(11.4)	25,844	9.5
1995..........	13,080	8.1	6,231	11.1	3,205	14.4	1,093	7.3	23,609	9.7
1994..........	12,097	10.0	5,609	13.2	2,802	12.1	1,019	14.2	21,527	11.3
1993..........	10,994	11.5	4,956	14.1	2,499	12.4	892	0.5	19,341	11.7
1992..........	9,860	10.6	4,342	(0.3)	2,223	9.0	888	29.6	17,313	8.2
1991..........	8,918	6.1	4,355	12.4	2,040	11.5	685	3.2	15,998	8.3
1990..........	8,407	4.5	3,874	5.4	1,829	(1.1)	664	107.5	14,774	6.3

(f) forecast; (e) estimate.

(Source: State Tax Commission.)

Tax Collections

Tax collections experienced a net reduction of $181.1 million (on an annualized basis) due to statutory changes that occurred over the past five years; and, the cumulative reduction in taxes during this period was $949.9 million. Sales taxes and other unrestricted revenues have declined as a percent of total revenues, while income taxes (and the uniform school fund) have increased. Fiscal year 1998 was the first year in which income taxes (the uniform school fund) became larger than sales taxes (the general fund). In years past, the sales tax made up the largest portion of the State's unrestricted revenues.

Revenue growth will slow in 1999. Reasons for the lower growth include; no tax rate increases, lower growth in capital gains and corporate profits, lower commodity prices and/or production, lower growth in fuel consumption, an increase in the sales tax manufacturing exemption, lower interest rates (interest income), higher cigarette prices, curtailment of inheritance and insurance rebate windfalls; and, increased sales over the Internet.

International Merchandise Exports

The State's exports will be down in 1998. From 1995 through 1997, the State's exports have been around $3.6 billion. In 1998, however, the State's exports fell to around $3.3 billion. East Asia's recession is the main reason for the State's slumping exports. If the Asian economies were as strong today as they were in the early 1990s, the State's exports would likely be well over $4.0 billion. From 1994 to 1998, the share of the State's exports to Asia (mostly coal, copper, equipment, and chemicals) has fallen from 50% to 29%. Largely because of the Asian situation, the State's exports will not be a force for growth during 1999.

Prices, Inflation And Cost Of Living

Inflation continued to decelerate in 1998, registering an expected 1.6% gain compared with a 2.3% growth rate in 1997, as measured by the CPI–U. The gross domestic product chain–type price deflator increased 1.9% in 1997. The State's cost–of–living index in selected cities remained near the national average. The fourth–quarter 1998 composite index (national average equals 100) for Salt Lake City (Salt Lake County) was 106.6; Provo–Orem (Utah County), 100.0; Cedar City (Iron County), 93.3; the City of St. George (Washington County), 100.6%; and the City of Logan (Cache County), 100.3.

INDUSTRY FOCUS

Agriculture

The Governor declared 1998 as the "year of the farmer" in the State. This designation was intended to remind everyone of this sector of the State's economy and of the contributions farmers make in providing food, clothing, and open space as well as environmental amenities for all citizens. Unfortunately, 1998 will likely go down as one of the worst years faced by farmers nationally. Not since the farm crisis of the mid 1980s will as many farmers be forced "off the farm."

Construction And Housing

Both residential and nonresidential construction in the State were surprisingly strong in 1998. Lower mortgage rates and a slow down in the rate of housing price increases has benefited the residential sector. The State's housing price index has increased by 3.9% in the past 12 months, which ranks 30th among all states. Only a year ago the State ranked second nationally in housing price increases, with a 7.1% rise in prices. The value of permit authorized construction in the State is projected to reach $3.6 billion in 1998, only 2% below the all–time high of $3.7 billion in 1997. The number of building permits issued for new dwelling units will be 21,500 with a valuation of $2.15 billion, an all–time record for residential building valuation. Nonresidential valuation is projected to be $1.05 billion in 1998. Additions, alterations and repairs, a sector of growing importance, will account for over $400 million of construction in 1998. The 1999 outlook includes a projected value for permit authorized construction of $3.1 billion. Residential construction is anticipated to decline by 10% and nonresidential construction by 20 to 25% as lower levels of demographic and economic growth are reflected in reduced construction activity.

Permit–Authorized Construction

		Construction Value (millions of dollars)			
Year	Total Units	Residential	Nonresidential	Renovations	Total Valuation
1998 (e)	21,500	$2,150.0	$1,050.0	$425.0	$3,625.0
1997	20,687	1,943.5	1,370.9	407.1	3,721.6
1996	23,737	2,104.5	951.8	386.3	3,442.6
1995	21,558	1,854.6	832.7	409.0	3,096.3
1994	19,747	1,730.1	772.2	341.9	2,844.2
1993	17,804	1,504.4	463.7	337.3	2,305.4
1992	13,001	1,113.6	396.9	234.8	1,745.3
1991 (r)	9,441	791.0	342.6	186.9	1,320.5
1990	7,009	579.4	422.9	243.4	1,245.7
1989	5,632	447.8	389.6	171.1	1,008.5

(e) estimated; (r) revised.

(Source: Bureau of Economic and Business Research, University of Utah.)

Defense

The State's defense industry was revitalized in 1998, as base closures and realignments in other states shifted jobs and military spending to the State. In October 1998, Hill Air Force Base was awarded a contract valued $1.58 billion over nine years, and the base is expected to pick up 2,750 new jobs by 2001. The new award is in contrast to the downward trend the defense industry has experienced since the end of the Cold War. The additional operations at the base should also protect Hill from base–closures in the near future. Even with the new contract award in the State, declines in overall defense spending both nationally and locally, and the closing and redevelopment of military facilities will continue to dominate defense issues in the coming years. Defense spending in the State in 1997 totaled below $1.3 billion, dropping 5% from the previous year.

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Federal Defense–Related Spending
(thousands of dollars)

Fiscal Year	Wages and Salaries (1)	Procurement Contract Awards	Military Retirement	State/ Local Grants	Total
1997…….	$642,492	$433,428	$180,862	$ 1,212	$1,257,994
1996…….	760,514	393,157	171,978	2,849	1,328,498
1995…….	794,333	495,771	161,964	2,845	1,454,913
1994…….	763,608	524,001	152,426	4,514	1,444,549
1993…….	847,053	532,269	146,743	5,932	1,531,997
1992…….	852,772	614,286	134,844	8,431	1,610,333
1991…….	922,035	804,404	125,526	598	1,852,563
1990…….	890,892	883,014	115,442	1,232	1,890,580
1989…….	870,295	979,116	108,005	10,186	1,967,602
1988…….	817,787	866,782	98,876	1,318	1,784,763

(1) Does not include fringe benefits.

(Source: U.S. Department of Commerce, Bureau of the Census.)

Energy And Minerals

Crude oil and natural gas production increased in 1998 after several years of decline. Throughout the year oil prices were remarkably low. The total value of minerals (including coal) produced in the State in 1998 is estimated to be less than last year. Coal production was the second–highest on record while average yearly coal prices increased for the first time since 1992. Industrial minerals production reached new highs in several commodities while prices increased modestly for some commodities and decreased for others.

The total value of minerals (including coal) produced in the State in 1998 is estimated to be $1.87 billion, $382 million less than last year. Contributions from each segment of the minerals industry are (1) base metals $688 million, (2) industrial minerals $534 million, (3) coal $497 million, and (4) precious metals $154 million. Base–and precious–metal production was lower in 1998, while prices were markedly lower for most metals with the exception of silver which increased slightly in price. Industrial minerals production reached new highs in several commodities while prices increased modestly for some commodities and decreased for others.

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Utah Energy Production, Prices, and Value

(1998–1989)

	Crude Oil			Natural Gas				Coal			
Year	Field Production (Thousand Barrels)	Field Price (Barrels)	Value of (Million $)	Gross Production (Millions of Cubic Feet)	Marketed Production (Millions of Cubic Feet)	Field Price (Millions of Cubic Feet)	Value (Million $)	State Production (Thousand Short Ton)	Marketed Production (Thousand Short Ton)	Field Price (Tons)	Value (Million $)
1998 (e)......	19,976	$13.02	$260.09	302,412	282,853	$1.93	$545.91	26,876	27,337	$ 18.51	$506.01
1997...........	19,584	19.15	375.03	274,920	257,139	1.86	478.28	26,428	25,407	18.34	465.96
1996...........	19,504	21.10	411.53	281,208	250,767	1.39	348.57	27,071	27,816	18.50	514.60
1995...........	19,982	17.71	353.88	303,233	241,290	1.15	277.48	25,051	25,443	19.11	486.22
1994...........	20,662	16.38	338.44	347,019	270,858	1.54	417.12	24,135	23,441	20.07	470.46
1993...........	21,826	17.48	381.52	336,183	225,401	1.77	398.96	21,723	21,935	21.17	464.36
1992...........	24,075	19.39	466.81	314,275	171,293	1.63	279.21	21,015	21,339	21.83	465.83
1991...........	25,930	19.99	518.34	323,660	144,817	1.54	223.02	21,945	21,673	21.56	467.27
1990...........	27,693	22.61	626.14	319,632	145,875	1.70	247.99	22,012	21,680	21.78	472.19
1989...........	28,512	18.63	531.18	278,081	120,089	1.61	193.34	20,517	21,289	22.01	468.57

(e) estimate

(Source: Utah Office of Energy and Resource Planning.)

High Technology

Technology is characterized by change, and the past year brought sweeping changes in the State's high tech industry with the loss of a premier software company, mergers and consolidations, and a highly touted plant opening that never occurred. Despite this turmoil, the State's high tech sector should finish 1998 in a stable position with nearly 500 companies employing about 40,000 people. In an era when high tech companies post meteoric gains and fall just as quickly, the State high tech companies have shown remarkable resilience. During the past year, most of the State's major high tech players faced serious setbacks that would have undermined less tenacious firms. However, most of the major segments in the State's high tech sector are estimated to post employment gains in 1998.

Tourism, Travel And Recreation

Worldwide, the tourism, travel and recreation sector contributes significantly to the economic and social well-being of the world, national and state economies. The WEFA Group (international economic consultants) estimates that travel and tourism accounts for more than one in every 10 jobs worldwide. Nationally, according to the World Travel and Tourism Council, the U.S. travel and tourism industry directly or indirectly generated 9.7 % of the U.S. gross domestic product, 10.4% of employment, 9.1% of tax collections and 9.5% of capital investment. The State travel and tourism industry continues to be one of the largest and most important economic activities in the State. Overall, travel and tourism can be considered one of the top five economic activities in the State, ranking it along with other industries of trade, services, manufacturing, and government.

Major tourism indicators recorded modest growth in traveler spending in 1998. Factors included a decline in regional visitation to national parks and unfavorable foreign exchange rates. Skiers, however, came in near–record numbers, and new ski resort capital investments bode well for the future. Increasing hotel supply has caught up with record–high occupancy rates of the mid–1990s, whereas hotel demand and room rates increased at a modest pace. This has resulted in lower occupancy rates which are forecasted to decline through 1999. Some of the hotel supply has been accelerated by the 2002 Olympic Winter Games, expected to generate $2.8 billion in economic output and $80 to $140 million in state and local tax revenue.

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Profile of the State Tourism Industry

Category	Estimated 1998	1997	1996	1995
Total spending by out–of–state travelers (in $ billions)	$4.1	$4.0	$3.8	$3.6
Total number of out–of–state visitors (in millions)	17.7	17.4	17.0	16.1
Number of U.S. visitors	17.0	16.7	16.1	15.3
Number of foreign visitors	0.7	0.7	0.8	0.8
Total tourism–related employment	115,500	112,000	107,000	100,000
Percent of State jobs in tourism	11.1%	11.2%	11.2%	11.0%
Total state and local taxes generated by tourism spending (in millions)	$299	$292	$276	$262
State portion	$218	$214	$203	$193
Local portion	$81	$78	$73	$69
National Park Recreation visits (in millions)	5.3	5.5	5.7	5.4
Total skier visits (in millions)	3.1	3.0	2.9	3.1
Taxable room rents (in millions)	$586	$558	$513	$460
Hotel/Motel occupancy rates	63.0%	68.0%	73.1%	73.5%

(Sources: Utah Division of Travel Development, State Tax Commission, National Park Service, Utah Division of Parks and Recreation, Salt Lake Airport Authority and the Utah Ski Association.)

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 1999A Bonds, Chapman and Cutler, Bond Counsel, propose to issue its final approving opinions in substantially the following forms.

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August _____, 1999

We hereby certify that we have examined certified copy of the proceedings of record of the Utah State Building Ownership Authority (the *"Issuer"*), a body politic and corporate of the State of Utah, passed preliminary to the issuance by the Issuer of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 1999A, in the aggregate principal amount of $9,455,000 (the *"Bonds"*). The Bonds are issuable only as fully registered bonds without coupons in the denomination of $5,000 or any whole multiple thereof. The Bonds are dated August 1, 1999, bear interest payable on November 15 and May 15 in each year, commencing May 15, 2000, until paid, and mature on May 15 of each of the years and in the amounts and bear interest as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2001	$ 55,000	5.25%
2002	265,000	5.25
2003	300,000	5.25
2004	310,000	5.25
2005	330,000	5.25
2006	345,000	5.25
2007	365,000	5.25
2008	380,000	5.25
2009	405,000	5.25
2010	425,000	5.25
2011	450,000	5.25
2012	470,000	5.25
2013	495,000	5.25
2014	525,000	5.30
2021	4,335,000	5.50

The Bonds are subject to redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds and the Indenture hereinafter described.

The Bonds are being issued pursuant to the Indenture under the authority of the State Building Ownership Act, Chapter 9a of Title 63, Utah Code Annotated 1953, as amended (the *"Act"*) for the purpose of (a) financing certain projects pursuant to the Act consisting of the acquisition and construction of (i) an administration office building for the Department of Corrections and the Board of Pardons and Parole Administration of the State of Utah and related facilities, property and improvements; (ii) a Correctional Industries Facility at the Central Utah Correctional Facility located in Gunnison, Utah for the Department of Corrections of the State of Utah and related facilities, property and improvements and (iii) the acquisition of two State-operated alcoholic beverage outlets and related facilities, property and improvements for the Department of Alcoholic Beverage Control of the State of Utah; (b) providing certain capitalized interest on the Bonds as provided in the Indenture; and (c) paying the costs and expenses incidental thereto and to the issuance of the Bonds.

From such examination of the proceedings of the Issuer referred to above and from an examination of the Act, we are of the opinion that such proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Utah now in force.

In connection with the issuance of the Bonds, we have also examined an originally executed counterpart of each of the following: (a) that certain Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994 (the *"Original Indenture"*), between the Issuer and First Security Bank, National Association (formerly known as First Security Bank of Utah, N.A.), as trustee (the *"Trustee"*), as heretofore supplemented and amended and as supplemented and amended by that certain Eighth Supplemental Indenture of Trust, dated as of August 1, 1999 (the *"Eighth Supplemental Indenture"*) to the Original Indenture (the Original Indenture and the Eighth Supplemental Indenture are herein collectively referred to as the *"Indenture"*), between the Issuer and the Trustee; (b) that certain annually renewable State Facilities Master Lease Agreement, dated as of September 1, 1994 (the *"Original Lease"*), between the Issuer and the State of Utah, acting through its Department of Administrative Services, Division of Facilities Construction and Management, as lessee (the *"State"*), as heretofore supplemented and amended and as supplemented and amended by that certain Eighth Amendment, dated as of August 1, 1999 (the *"Eighth Amendment"*) to the Original Lease (the Original Lease and the Eighth Amendment are herein collectively referred to as the *"Lease"*), between the Issuer and the State; (c) that certain Gunnison Correctional Industries Facility Site Lease (For UDOC 1999A Gunnison Correctional Industries Facility), dated as of August 1, 1999 (the *"UDOC 1999A Gunnison Correctional Industries Facility Site Lease"*), between the State and the Issuer; and (d) that certain Administration Office Building Site Lease (for UDOC/BPPA 1999A Administration Office Building) dated as of August 1, 1999 (the *"UDOC/BPPA 1999A Administration Office Building Site Lease"*), between the State and the Issuer.

The Bonds are issued under and are equally and ratably secured by the Indenture, pursuant to which the Issuer has mortgaged, pledged and assigned to the Trustee for the benefit of the owners of the Bonds and the Prior Parity Bonds (as such term is defined in the Eighth Supplemental Indenture) and the owners of any bonds hereafter issued on a parity therewith under the Indenture all of the Issuer's right, title and interest in and to the 1999A Facilities (as such term is defined in the Indenture), the Lease (including the right under the Lease to receive Base Rentals, as such term is defined in the Lease), the UDOC 1999A Gunnison Correctional Industries Facility Site Lease, and the UDOC/BPPA 1999A Administration Office Building Site Lease as security for the payment of the principal of, and premium, if any, and interest on, the Bonds, the Prior Parity Bonds and such parity bonds. The Bonds are limited obligations of the Issuer and are payable solely from the Base Rentals received under the Lease and, if paid, the Option Price (as such term is defined in the Lease) and, to the extent not so paid, from the Trust Estate (as such term is defined in the Indenture) and from such amounts as may be realized by the Trustee upon the exercise of any of its rights and remedies pursuant to the Indenture and the Mortgages (as such term is defined in the Indenture). Neither the Bonds nor the Lease constitute the debt or indebtedness of the Issuer, the State or any political subdivision of the State within the meaning of any constitutional provision or limitation nor constitute or give rise to or are a general obligation or liability of, nor a charge against the general credit or taxing powers of, the State or any political subdivision of the State. The Issuer has no taxing power. In the event of default of any payment of principal of, or premium (if any) or interest on, the Bonds or any violation of any provision of the Lease or the Indenture resulting in the foreclosure of the liens, security interests and rights granted by the Indenture and the Mortgages, the Trustee shall be entitled, among other things, to pursue certain remedies against the 1999A Facilities as provided in the Indenture and the Mortgages but no deficiency judgment upon foreclosure may be entered in any event against the Issuer, the State or any political subdivision of the State, except as otherwise expressly provided in the Lease with respect to the State's actual use and occupancy of the Leased Property (as such term is defined in the Indenture), and no breach of any covenant or agreement in the Lease, the Indenture or the Mortgages shall impose any general obligation or liability upon, nor a charge against, the State or the general credit or taxing power of the State or any of its political subdivisions.

Under the Lease, the 1999A Facilities have been or will be leased by the Issuer to the State, and the State has agreed to pay, directly to the Trustee, the Base Rentals, but only if and to the extent that the Utah Legislature shall specifically appropriate funds annually sufficient to pay the Base Rentals coming due during the succeeding fiscal year of the State plus such additional amounts (the "*Additional Rentals*") necessary to operate and maintain the 1999A Facilities during such period. The Base Rentals and the Additional Rentals are hereinafter referred to collectively as the "*Rentals*". Under the Lease, the Issuer has been granted an option to purchase the Leased Property (excluding State-Owned Sites, as such term is defined in the Lease) and to terminate its obligations under the Lease upon payment of the then applicable Option Price. The Lease specifically provides, however, that nothing therein shall be construed to require the State to appropriate any money to pay any Rentals or the Option Price thereunder. In addition, the obligation of the State to pay Base Rentals under the Lease will terminate, without payment of the Option Price or any other amounts, if an Event of Nonappropriation or an Event of Default (as each such term is defined in the Lease) shall occur.

Based upon an examination of the aforementioned documents and of such other documents and matters of law as we have deemed relevant and necessary as a basis for the opinions set forth herein, it is further our opinion that:

1. The Issuer is a duly organized and validly existing body politic and corporate of the State of Utah and has the authority under the Act to issue the Bonds and to authorize, execute, deliver and perform its obligations under the Lease, the 1999A Facilities Site Leases and the Indenture.

2. The Eighth Amendment has been duly authorized, executed and delivered and the Lease constitutes the legal, valid and binding obligation of the Issuer and the State enforceable in accordance with its terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

3. The Eighth Supplemental Indenture has been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the Trustee, the Indenture constitutes the legal, valid and binding obligation of

the Issuer enforceable against the Issuer in accordance with its terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

4. The UDOC 1999A Gunnison Correctional Industries Facility Site Lease and the UDOC/BPPA Administration Office Building Site Lease have been duly authorized, executed and delivered and constitute the legal, valid and binding obligations of the Issuer and the State enforceable in accordance with their terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

5. The Bonds are valid and binding limited obligations of the Issuer enforceable in accordance with their terms (except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought) and the terms of the Indenture and are entitled to the benefits of the Indenture and the Act; and (except to the extent paid out of moneys attributable to Bond proceeds or income from the temporary investment thereof, the Option Price, if paid, and any payments derived from the exercise by the Trustee of its rights and remedies against the Trust Estate as provided in the Indenture and the Mortgages) the Bonds are and will continue to be payable solely from Base Rentals paid by the State under the Lease, which Base Rentals have been duly assigned to the Trustee pursuant to the Indenture and pledged to the payment of principal of, and premium, if any, and interest on, the Bonds. Such amounts, which by the terms of the Lease are to be paid by the State to the Trustee, are sufficient for the payment of the principal of, and premium, if any, and interest on, the Bonds as the same become due so long as the State exercises its option annually under the Lease to extend the term of the Lease as provided therein.

6. The obligations of the State under the Lease are subject to the exercise in the future by the State of Utah and its governmental bodies of the police power inherent in the sovereignty of the State of Utah and to the exercise by the United States of America of the powers delegated to it by the federal Constitution.

We further certify that we have examined the form of registered Bond of the issue and find the same in due form of law.

It is our opinion that, subject to the Issuer's and the State's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*). Interest on the Bonds is exempt from present federal income taxation, except to the extent that such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on foreign corporations. Failure to comply with certain of such Issuer and State covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we have relied upon certifications of the Issuer and the State with respect to certain material facts solely within the Issuer's and the State's knowledge relating to the application of the proceeds of the Bonds.

It is further our opinion that under the laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. No opinion is expressed with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other Utah tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion as to the title to, the description of, or the perfection, priority or existence of any liens, charges, security interests or encumbrances on, any of the 1999A Facilities.

Respectfully submitted,

DRLarsen/jd

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

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State of Utah

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") is executed and delivered by the State of Utah (the "State") in connection with the issuance by the State's Building Ownership Authority (the "Authority") of $9,455,000 Lease Revenue Bonds (State Facilities Master Lease Program), Series 1999A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as supplemented (the "Indenture").

1. **Purpose Of This Agreement.** This Agreement is executed and delivered by the State as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. **Definitions.** The terms set forth below, with their related undertakings, if any, shall have the following meanings and applications in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in Exhibit 1.

Audited Financial Statements means the State's Comprehensive Annual Financial Report prepared pursuant to the standards and as described in Exhibit 1.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent's successors and assigns.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Lease means the State Facilities Master Lease Agreement dated as of September 1, 1994, as amended, between the Authority and the State.

Material Event means the occurrence of any of the following events in connection with the Bonds, but only to the extent such event is material under the standards set forth in the Exchange Act and in court decisions defining materiality under the Exchange Act:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. modifications to rights of Bondholders;

8. optional, contingent, or unscheduled bond calls (other than mandatory scheduled redemptions, not otherwise contingent upon the occurrence of an event);

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Bonds;

and

11. rating changes.

MSRB means the Municipal Securities Rulemaking Board, the address of which is currently 1150 18th Street, N.W., Suite 400, Washington, D.C. 20036-2491; Telephone (202) 223-9347; Fax (202) 872-0347Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. As of the date of this Agreement, the NRMSIRs are:

Bloomberg Municipal Repositories
PO Box 840
Princeton, NJ 08542-0840
Phone:609.279.3200
Fax: 609.279.5962
E-Mail: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: 201.346.0701
Fax: 201.947.0107
E-Mail: nrmsir@dpcdata.com

S&P, JJ Kenny NRMISIR Repository Service
55 Water St 45th fl
New York, NY 10041-0003
Phone: 212.438.4595
Fax: 212.438.3975

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson St 3rd Fl
New York, NY 10014
Phone: 212.807.5001;800.689.8466
Fax: 212.989.2078
E-Mail Disclosure@ Muller.com

The State shall determine, in the manner it deems appropriate, the names and addresses of the then-existing NRMSIRs and State Information Depository each time it is required to file information with such entities, and shall verify the names and addresses of all current NRMSIRs each time information is delivered to the NRMSIRs pursuant to this Agreement.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

State Repository means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. There is no such repository as of the date of this Agreement there is no State Information Depository.

Undertaking means the obligations of the State pursuant to Sections 4 and 5.

3. **CUSIP Numbers.** The CUSIP Numbers of the Bonds are as set forth below:

Series 1999A Bonds

Maturity (May 15)	**CUSIP Number**	**Maturity (May 15)**	**CUSIP Number**
2001	917547LU3	2009	917547MC2
2002	917547LV1	2010	917547MD0
2003	917547LW9	2011	917547ME8
2004	917547LX7	2012	917547MF5
2005	917547LY5	2013	917547MG3
2006	917547LZ2	2014	917547MH1
2007	917547MA6		
2008	917547MB4	2021	917547MQ1

4. **Annual Financial Information Disclosure.** Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in Exhibit 1) to each NRMSIR and to the State Information Depository, if any. The State is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to each NRMSIR and the State Information Depository, if any) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. **Material Events Disclosure.** Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate in a timely manner disclosure of Material Events to each NRMSIR or to the MSRB and to the State Information Depository, if any. Notwithstanding the foregoing, notice of optional or unschedulcd redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the date of the notice, if any, of such redemption or defeasance given to the holders of the Bonds.

6. **Consequences Of the State's Failure To Provide Information as Required.** The State shall give notice in a timely manner to each NRMSIR or to the MSRB and to the State Information Depository, if any, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default or an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

7. **Amendments; Waiver.** Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if:

> (a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;
>
> (b) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
>
> (c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the State or the Authority (such as the Trustee).

8. **Termination Of Undertaking.** The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The State shall give notice in a timely manner if this Section is applicable to each NRMSIR or to the MSRB and to the State Information Depository, if any.

9. **Dissemination Agent.** The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. **Additional Information.** Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the State shall have no requirement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

11. **Beneficiaries.** This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. **Recordkeeping.** The State shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. **Assignment.** The State shall not transfer its obligations under the Lease unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

14. **Governing Law.** This Agreement shall be governed by the laws of the State of Utah.

15. **Source of Information**. The persons from whom the information, data, and notices described in Sections 3 and 4 can be obtained is (a) the Treasurer of the State of Utah, 215 State Capitol Building, Salt Lake City, Utah 84114, telephone: (801) 538-1042, and (b) a Trust Officer of the Bond Registrar, at First Security Bank, Corporate Trust Department, 79 South Main Street, Salt Lake City, Utah 84111; telephone: (801) 246-5822.

State of Utah

/s/ Edward T. Alter
By: Edward T. Alter, State Treasurer

Dated: August 5, 1999

Exhibit I

Annual Financial Information And Timing And Audited Financial Statements

'Annual Financial Information" means financial information and operating data of the type contained in the Official Statement under the following captions:

"STATE BUILDING OWNERSHIP AUTHORITY"
"DEBT STRUCTURE OF THE STATE OF UTAH" and
"FINANCIAL INFORMATION REGARDING THE STATE OF UTAH."

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the State Information Depository, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the State Information Depository or the Commission. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the State Information Depository, if any, not later than 199 days after the last day of the State's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared in conformity with generally accepted accounting principles as prescribed by the Government Accounting Standard Board. Audited Financial Statements will be provided to each NRMSIR and to the State Information Depository, if any within 30 days after availability to State.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

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APPENDIX F

FORM OF MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE[SM]

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By____________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022 (212) 826-0100

Form 500NY (5/90)

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APPENDIX G

BOOK–ENTRY SYSTEM

DTC is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book–entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1999A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1999A Bonds on DTC's records. The ownership interest of each actual purchaser of each 1999A Bond ("Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Owners will not receive written confirmation from DTC of their purchase, but Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Owner entered into the transaction. Transfers of ownership interests in the 1999A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Owners. Owners will not receive certificates representing their ownership interests in 1999A Bonds, except in the event that use of the book–entry system for the 1999A Bonds is discontinued.

To facilitate subsequent transfers, all 1999A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of 1999A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in ownership. DTC has no knowledge of the actual Owners of the 1999A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1999A Bonds are credited, which may or may not be the Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Owners of the 1999A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 1999A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 1999A Bond documents. Owners of 1999A Bonds may wish to ascertain that the nominee holding the 1999A Bonds for their benefit has agreed to obtain and transmit notices to Owners, or in the alternative, Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 1999A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 1999A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1999A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1999A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on DTC's receipt of funds and corresponding detailed information from the Authority or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1999A Bonds at any time by giving reasonable notice to the Authority or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 1999A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry transfers through DTC (or a successor securities depository). In that event, 1999A Bond certificates will be printed and delivered.

DTC's internet site (http://www.dtc.org) contains detailed information regarding DTC's progress and plans to support industry preparations for the impending date change at the end of the decade. DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book–entry deliveries and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning DTC and DTC's book–entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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